

AGENDA

MIDDLESBROUGH TOWNS FUND BOARD

19 November 2021

1pm – (virtual meeting)

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| 1. | Apologies and declarations of interest |
| 2. | Minutes from previous meeting |
| 3. | Town Deal Board Assurance Framework (Adoption and Process) |
| 4. | Project Progress Reporting |
| 5. | Urban Living Business Case |
| 6. | Town Centre Conversions - Old Town Hall |
| 7. | Date and time of next meeting: TBC |

Towns Fund Board
Friday 20th August 2021 at 1.p.m. via Webex

Present:

Andy Preston, Mayor of Middlesbrough
Tony Parkinson, Middlesbrough Council Chief Executive
Andy McDonald, Member of Parliament for Middlesbrough
Cllr Mieka Smiles, Deputy Mayor and Executive Member for Culture and Communities MBC
Laura Sillars, Dean of mima School of Art & Design Teesside University
Sara Marshall, Middlesbrough College (sub for Zoe Lewis)
Daryl Thomlinson – Cleveland Police (Sub for Richard Lewis)
Miranda Jupp, (substituting for Simon Clarke MP)

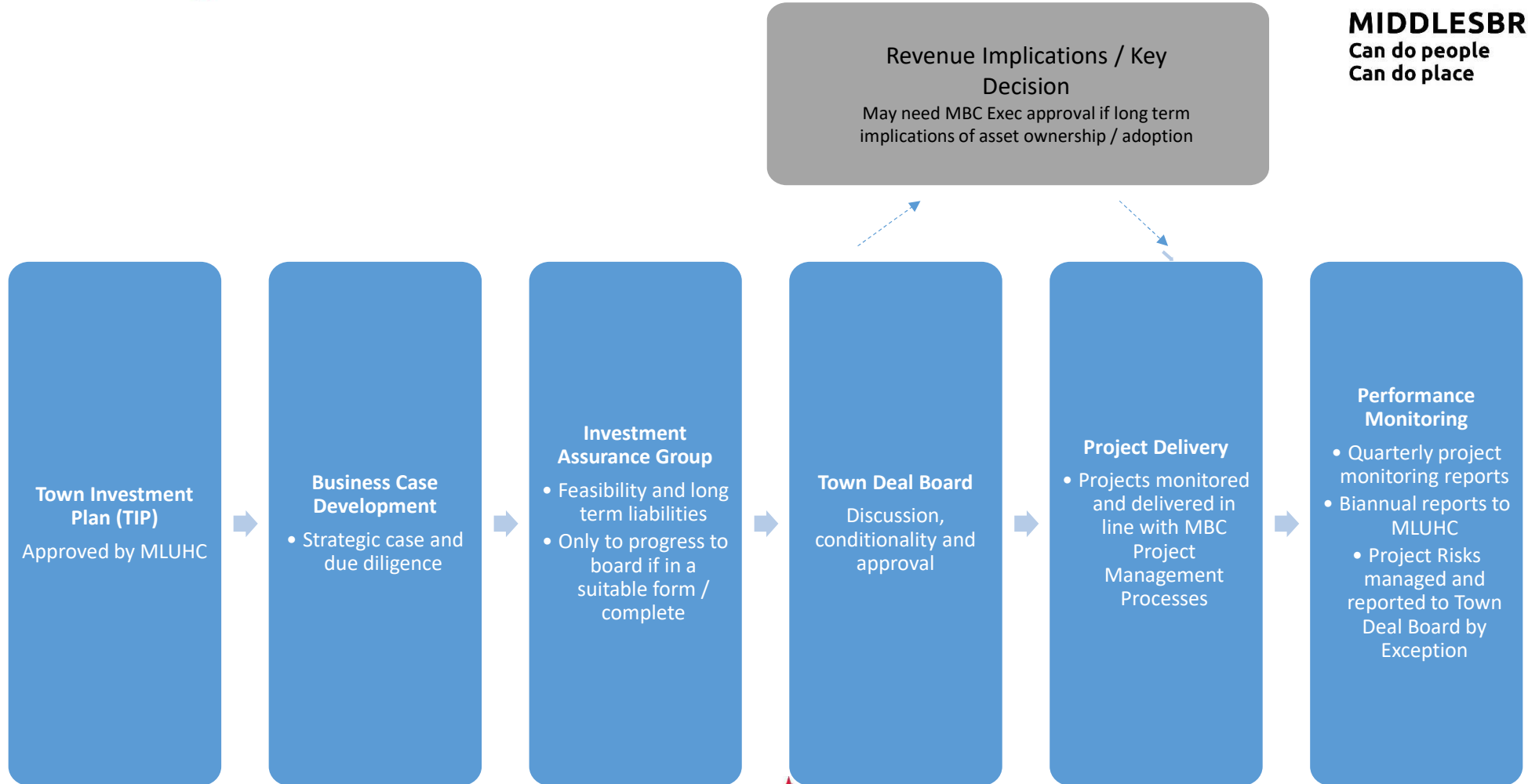
In attendance

Richard Horniman, Director of Regeneration MBC
Charlotte Benjamin, Director of Legal and Governance Services MBC
Sam Gilmore, Head of Economic Growth and Infrastructure MBC
Louise Antill, Towns Fund Programme Manager

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|-----------|--|
| 1. | <p>Apologies and declarations of interest</p> <p>Apologies: Simon Clarke, MP for South Middlesbrough and East Cleveland (Miranda Jupp substituting) Richard Lewis / Marc Anderson, Chief Constable Cleveland Police Rachel Anderson, Assistant director of Policy NECC Adam Suleiman – Cities and Local Growth Unit Thomas Smith – Public Engagement Specialist Zoe Lewis, Principal and Chief Executive Middlesbrough College</p> <p>Declarations of Interest:</p> <ul style="list-style-type: none">a) Andy Preston nominated to withdraw from the Heritage Property Business Case discussion and voting.b) Andy McDonald highlighted a non-pecuniary interest in Middlesbrough College – as no agenda business relates to this status discussion and voting is approved – Taken as registered.c) Cllr Mieka Smiles nominated to withdraw from the Community Hubs Business Case discussion and voting; given her membership of the Nunthorpe group involved in one of the proposed developments.d) Miranda Jupp highlighted Simon Clarke MP’s involvement in the Nunthorpe hub development. |
| 2. | <p>Minutes from previous meeting</p> <p>Andy McDonald highlighted that the conditions set out within the report for the Ward Initiatives Item should be set out explicitly, in the minutes.</p> <p>The report on the Assurance group which assesses the Town Investment Plan business cases for longevity and long term viability / management, will be deferred to the next meeting.</p> |

| | |
|----|--|
| | The record will be changed to reflect this. |
| 3. | <p>COMMERCIALLY CONFIDENTIAL – Centre Square 6 Business Case (paper issued prior)</p> <p>Sam Gilmore introduced the business case as presented and outlined the necessity for gap funding to enable Tees Valley Combined Authority (TVCA) to mitigate risk in the development of new office space at Centre Square. A tenant is in place for part of the development (Confidential) and surplus space will be available at market rates.</p> <p>Andy Preston highlighted that this was a credible business case worked up to capture job security and growth for both Middlesbrough and the Tees Valley.</p> <p>Andy McDonald supported the business case. However, concerns were raised over whether TVCA should have the role of ‘bank’, using public funds to invest in developments which may have commercial potential.</p> <p>Richard Horniman clarified that the employer’s leverage was not a threat to the area, rather it was an opportunity and an acknowledgement of Middlesbrough’s growing commercial reputation.</p> <p>The business case also requires Middlesbrough Council to enter into a risk share arrangement with TVCA whereby some of the generated business rates income can offset some of the vacancy risk for the development. This facility would be considered by Middlesbrough Council Executive if it had any implications which met the key decision threshold.</p> <p>The business case was passed unanimously, without abstention.</p> |
| 4. | <p>Historic Buildings Business Case (paper issued prior)</p> <p>Andy Preston sat out the item and Tony Parkinson Chaired.</p> <p>Sam Gilmore presented the business case for investment in the Captain Cook Public House and the Old Town Hall; both at Middlehaven.</p> <p>The projects require funding to protect the heritage assets and bring them back into commercial use. The Captain Cook Pub will be brought back into a weatherproof and habitable condition, albeit future users will need to fit out the building to the required specification.</p> <p>The Old Town Hall investment will weatherproof the building and address significant structural issues. Additional resources will be required to restore the building to a modern use and opportunities are being explored with Heritage Lottery / Historic England.</p> <p>Laura Sillars asked what thought had been given to end users. Richard Horniman explained that opportunities range from community uses, cultural uses, commercial and F&B uses. At the moment, commercial office interest has been expressed for</p> |

| | |
|------------------|---|
| | <p>Captain Cook Pub although the restoration will be generic to allow for alternative uses coming forward.</p> <p>Cllr Mieka Smiles asked where the balance of the money for the Old Town Hall was likely to come from. It was explained that there are some Middlehaven resources which may be unlocked in the near future but an expectation was to explore heritage grants in the first instance.</p> <p>Andy McDonald asked whether there were any internal features which were worthy of being retained / restored. RH explained that heritage officers and Historic England have been engaged throughout and will ensure that all historically-significant items are retained.</p> <p>The business case was passed unanimously.</p> |
| <p>5.</p> | <p>Community Hubs Business Case (paper issued prior)</p> <p>Cllr Mieka Smiles withdrew from the meeting for this item.</p> <p>Sam Gilmore presented the business case for investment in two community hubs at Nunthorpe and the Southlands Centre site.</p> <p>Both schemes benefit from significant community-led engagement and offer good examples of community leadership and participatory budgeting.</p> <p>Andy McDonald queried the rationale for supporting these two areas with these facilities and how their selection related to ‘levelling up’ and an equitable distribution of resources.</p> <p>Laura Sillars asked how groups could work up their own proposals for such support.</p> <p>It was highlighted that these two schemes are the most developed and no other groups have come forward to develop similar opportunities. Council officers would work with any group expressing an interest in developing a credible proposal.</p> <p>The business case was passed with six votes for and one abstention.</p> |
| <p>7.</p> | <p>Any other business</p> <p>None.</p> |
| <p>8.</p> | <p>Date and time of next meeting</p> <p>Provisional: 1p.m. Friday 24th September 2021- location / online</p> |





PROJECT UPDATES

| BUSINESS CASE | COMPLETION DATE (including full independent assurance and approval) | PROGRESS UPDATE | KEY RISKS | OUTCOMES MANAGEMENT |
|---|--|---|--|--|
| Urban Communities and Place Making | Sep 2024 | Project lead provides headline information on progress towards business case and project initiation | Quality of development Delivery timescales Developer Interest | RAG rating of whether project can deliver planned outcomes |
| Middlesbrough Experience | Aug 2022 | | Obtaining co-funding Agreeing facilities and projects that meet the needs of all residents Sourcing suitable contractors | |
| Building a Knowledge Economy | Sep 2021 | | Timing of funding approval and receipt Appointment of contractors Project timeline completion | |
| Enterprise Infrastructure | Dec 2022 | | Timing of funding approval and receipt Project timeline completion Cost overruns | |
| BOHO 8 | Fast-track | | | |



PROGRAMME OVERVIEW

| Project | RAG | | July-Sept | | | Oct-Dec | | Jan-March | | | April-June | | |
|------------------------------------|--------|--------|------------|------------|------------|------------|-----------|-----------|--|--|------------|--|--|
| Urban Communities and Place Making | Amber | Yellow | Light Blue | Light Blue | Light Blue | Green Star | Green Dot | | | | | | |
| Middlesbrough Experience | Yellow | Yellow | Light Blue | Green Star | Green Dot | | | | | | | | |
| Building a Knowledge Economy | Green | Green | Green Dot | | | | | | | | | | |
| Enterprise Infrastructure | Amber | Yellow | Light Blue | Light Blue | Light Blue | Green Star | Green Dot | | | | | | |

KEY

- Independent assurance/approval
- ★ Business case complete
- Summary documents submitted

| Top programme risks | RAG | Mitigations | Milestones | | Budget | | |
|---|--------|---|---------------------------|---------------------|--------------|-------------|------------------|
| | | | Achieved since last Board | Upcoming milestones | Actual spend | Budget | Forecast outturn |
| Timing of funding approval and receipt | Yellow | Processes are in place to draw down funding to fit with project timescales | | | £ | £21,900,000 | £ |
| Project timeline completion | Yellow | Experienced project manager, project team, project management tools and contract terms will be utilised to ensure programme stays of track. | | | | | |
| Cost overruns | Yellow | Fixed cost contract agreed at procurement stage | | | | | |
| <i>Obtaining the necessary co-funding</i> | Yellow | Project plans for co-funding are advanced and confidence of achievement is high. | | | | | |

| Overall programme rating |
|--------------------------|
| |



PRESCRIBED OUTPUTS (M&E)

1 of 3

| OUTPUT | AMOUNT |
|--|--------------|
| £ co-funding committed (private and public)* | £158,382,967 |
| £ spent directly on project delivery (either local authority or implementation partners)* | £66,840,153 |
| # of full-time equivalent (FTE) permanent jobs created through the projects* | 971 |
| # of temporary FT jobs supported during project implementation* | 2947 |
| # of residential units provided | 1051 |
| # of sites cleared | 6 |
| # of derelict buildings refurbished | 5 |
| # of heritage buildings renovated/restored | 5 |
| # of learners enrolled in new education and training courses | 500 |
| # of learners/students/trainees gaining certificates, graduating or completing courses at new or improved training or education facilities, or attending new courses | 500 |



PRESCRIBED OUTPUTS (M&E)

2 of 3

| OUTPUT | AMOUNT |
|---|---------|
| # of learners/trainees/students enrolled at new education and training facilities | 500 |
| Amount of capacity of new or improved training or education facilities | 2967m2 |
| Amount of floor space repurposed (residential, commercial, retail) | 45231m2 |
| Amount of new office space | 12541m2 |
| # of trees planted | 5200 |
| Amount of existing parks/greenspace/outdoor improved | 5 |
| Amount of new parks/greenspace/outdoor space | 7200m2 |
| Amount of rehabilitated land | 5000m2 |



PRESCRIBED OUTPUTS (M&E)

1 of 3

| OUTPUT | AMOUNT |
|--|--------|
| Number of improved community/sports centres | 5 |
| Number of improved cultural facilities | 2 |
| Number of new community/sports centres | 2 |
| Number of new non-domestic buildings with green retrofits completed | 2 |
| Number of public amenities/facilities created | 6 |
| Total length of new pedestrian paths | 0.4Km |
| Total length of pedestrian paths improved | 1km |
| Total length of resurfaced/improved road | 0.2Km |
| # of additional residential units with broadband access of at least 30mbps | 200 |



TOWNS FUND PROGRAMME OUTPUTS

| OUTPUT | AMOUNT |
|--|--------------|
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TOWNS FUND

URBAN LIVING PROGRAMME - BUSINESS CASE

PROJECT SUMMARY

WHAT IS THE INVESTMENT PROPOSAL?

Organisation: Middlesbrough Council

Brief Summary of proposal:

The proposal is to deliver a programme of Urban Living schemes, which will create 1,250 new units of accommodation, predominantly in and around the Middlesbrough town centre area.

Although Middlesbrough has been successful in increasing housing delivery in recent years, this has been focused on increasing mid-market homes in suburban locations and highlights the potential for housing market diversification and the opportunities the town centre could offer.

Increasing the town centre resident population has been achieved elsewhere, driven through a diversification of the housing choice available. In Newcastle there has been a c.70% increase in the population of the town centre in the period between 2011 and 2017, in comparison to only a 9% growth in Middlesbrough.

A recent report commissioned from Knight Frank confirmed that the limited new build development in Middlesbrough town centre in the last 10-15 years, means there is a clear gap in the market for good quality new build stock. Feedback from developers indicated that there are viability issues associated with low sale values, which could be addressed through the utilisation of public funding.

It must be stressed that not all schemes in the Urban Living programme will require a direct funding award from the Towns Fund. It is more the case that the Towns Fund award will facilitate the development of a number of individual schemes within the wider Urban Living programme, which will offer a range of property types and tenures, including high quality affordable housing.

As the delivery of the Urban Living programme is reliant on third party developers and funders, there is a requirement to initially over programme in order to ensure that the unit numbers are delivered in the event that an individual scheme does not proceed.

The programme includes the development of over 500 homes in the former St Hilda's area of Middlehaven by the international property developer and construction company, BCEGI. BCEGI, specialise in bringing projects to fruition through strategic partnerships and have entered into a partnership with the Council to develop a coherent plan to develop a range of residential accommodation, from family housing to maisonettes and apartments.

Overall funding requested from the Towns Fund:

| Towns Fund investment | Funds request |
|--------------------------------------|----------------------|
| Urban Living Programme – 1,250 units | £11,318,000 |

In addition to the Towns Fund award, the Urban Living programme will attract public and private sector scheme leverage totalling £81m.

KEY MILESTONES

Estimated timescales for the delivery of the Urban Living programme are given below:

| Milestone | Date |
|---|-------------|
| Board approval for Towns Fund Programme. | November 21 |
| Conclude scheme feasibility. | March 22 |
| Establish grant procedures and processes. | April 22 |
| Planning process commences | March 22 |
| First development starts on site | Autumn 22 |
| Towns Fund grant fully defrayed. | March 23 |
| Practical completion of all 1,250 units. | March 30 |

STRATEGIC CASE – *What we’re doing, and why*

Background

Middlesbrough aims to grow and retain its population and talent. In order to achieve this it is essential to provide the best opportunities in terms of housing, employment and lifestyle.

As a small and densely populated urban economy, Middlesbrough will invest in the delivery of high value and high-density opportunities. Expanding its role as the commercial epicentre of the Tees Valley and reshaping the town centre economy to provide more skilled employment, more residents, and, an increased leisure offer. .

Middlesbrough will transform its economy through a programme to deliver new urban communities, new employment accommodation and a broader leisure mix. Together these factors will draw life and vibrancy back into the town and create new opportunities and experiences for visitors and residents.

To this end, Middlesbrough will embark on a vast urban living programme to bring in excess of 2,000 units to the centre of Middlesbrough, homing 4,000 urban residents. We will build new communities and amenities, which attract all ages and demographics and drive critical footfall to central areas.

The programme will include a range of house types and tenures, required to create a balanced housing market, including traditional homes, flats and maisonettes and market sale, private rental and high quality affordable products.

MHCLG intervention

Town centre sites have been subject to little commercial interest from market house builders due to market values, and the potentially onerous cost of development in this challenging location.

As a consequence of the viability issues, there is a need to consider the Urban Living proposal from a long-term perspective, where the Council works with a number of development partners to mitigate the effect of lower values in the short-term.

If the opportunity to provide gap-funding subsidy was not offered to prospective developers, many schemes would be financially unviable and would not go ahead. However, by providing a gap-funding opportunity for a number of schemes, it can increase market confidence, de-risk the commercial elements of development, and provide a proof of concept for a new product to

Middlesbrough's housing market, incrementally working towards private-sector led commercial viability.

Objectives

The investment will contribute towards the achievement of the following objectives and outcomes:

- a) To build new communities and amenities which attract all ages and demographics and drive critical footfall to central areas.
- b) The opportunity to kick start the Middlesbrough's Urban Living agenda with the development of in excess of 1250 high quality new homes.
- c) Support the employment of 3,875 people.
- d) Provide 42 apprentices, graduates or trainees.
- e) The generation of around £1.7m per year from Council Tax, based on 1250 Band A homes.
- f) A 2014 study by the Centre for Economics and Business Research shows that for every pound invested in house building, a further £1.42 is generated in the wider economy.

Stakeholder issues

Local communities – All individual schemes will require extensive consultation with local communities via the statutory planning process.

Middlesbrough Council – The Council's role as a landowner may require the sale of land to developers in accordance with the authority's Asset Disposal Process.

Tees Valley Combined Authority – Have provided a grant from the Brownfield Housing Fund to remediate housing sites in Middlehaven.

Statutory Consultees – Will be consulted on residential development proposals through the planning process.

| Key Stakeholder | Role | Engagement Method |
|---------------------------------------|---|--|
| Residents | Opinions on proposed development and progress updates | Planning consultations, site visits and updates |
| Ward Members | Consulted on proposed plans and programme development | Regular Briefings |
| Housing Developers | Lead investors and developers | Marketing of the sites will commence with the benefit of gap funding allowances; to aid viability. Close dialogue throughout delivery – quasi-partnership. |
| BCEGI JV Partner | Lead investors and developers | Middlesbrough's procured JV partner |
| Planning Team | Development control and Building control function Pre application advice Compliance with NPPF and heritage engagement | |
| Historic England | Statutory Consultee | Pre-planning advice and design development |
| Tees Valley Combined Authority (TVCA) | Funder - BHF | Funding criteria and site enablement to facilitate investment |
| Property Owners | Complementary investment | Consult on development plans and how properties, particularly vacant, can be |

| | | |
|--------------------------------------|--|--|
| | | brought back into use to complement development. |
| Homes England | Potential match Funder | Discussion into entire housing programme and what HE resources could be aligned |
| Schools and Educational Institutions | Middlesbrough College is a near neighbour. TU graduates will be a target demographic | Planning consultations, site visits and updates. Graduate comms programme |
| MBC Children's Services | Maximise educational, employment and experiential opportunities as corporate parent. | Sites visits Contractor work experience Apprenticeships |

Dependencies and Constraints

The success of the Urban Living Programme is reliant on third party developers and funders to deliver individual schemes.

The development of schemes will be subject to the granting of planning approval, following consultation with the public and all statutory consultees.

Individual schemes within the programme are dependent on the allocation of funding from other public sector sources, such as the Brownfield Housing Fund (BHF) and Future High Streets Fund (FHSF) and must comply with their specific funding requirements.

Under the terms of the BHF award for Middlehaven, and to ensure compliance with Subsidy Control legislation, sites must remain in the Council's ownership until the BHF funded works are complete.

The provision of the appropriate infrastructure is key to the development of brownfield sites such as those in the Middlehaven area, where an additional power supply is known to be required.

Key Risks

Developer Interest: The programme is reliant on it being an attractive proposition for private developers to deliver schemes in the town centre.

Viability: Low values and high costs mean that schemes may not proceed in the short-term without public sector funding.

Quality: The quality of private sector development will only be controlled via the statutory planning process.

Delivery timescales: The Council cannot directly control the timescales of development, but the legal documentation associated with the sale Council land will include milestones for planning consent, the start of development, and, a buy back option.

Rising costs: Developers are reporting that lead-in times and the cost of materials continue to increase.

Financial Profile

| | 21/22 | 22/23 | 23/24 | 24/25 | Beyond | Total |
|------------------------------------|--------------|---------------|---------------|---------------|---------------|---------------|
| Towns Fund | £.4 | £10.9m | £0m | £0m | £0m | £11.3m |
| Public / Private Sector Investment | £6.5m | £6.0m | £22.2m | £24.6m | £21.7m | £81.0m |
| TOTAL | £6.9m | £16.9m | £22.2m | £24.6m | £21.7m | £92.3m |

Source of funding

The overall cost of the scheme including construction, fees etc. is estimated at £92.3m, based on the delivery of 1250 units across the programme.

Public / Private investment totalling £81m is assumed, with £11.3m required from the Towns Fund to make individual schemes viable and to increase market confidence.

Financial appraisal

The table below sets out the estimated scheme budget.

| Cost element | Budget |
|---|-------------|
| Urban Living Programme – Construction of 1250 new homes | £92,300,000 |

Financial risks

| Risk | Likelihood | Mitigation |
|--|------------|---|
| Towns Fund grant not approved | M | The development of individual schemes would be progressed without Towns Fund subsidy but may not be financially viable. |
| Project overspends / budget exceeded | M | The individual scheme developers would need to be satisfied that there is sufficient contingency to take into account the current economic climate and uncertainty in the construction sector. |
| Brexit or COVID-19 impact on labour, resource, tariff and materials with both key contractors and their supply chain | M | Developers will ensure that early engagement with contractors is undertaken. Robust procurement and tendering processes will be required. Contingency will be built into budgets and contracts will include clauses to protect client interests and pass as much risk as possible onto contractors. |

ECONOMIC CASE – *Our options and the extent to which they provide VFM*

| Shortlisted options (Min. 3) | SWOT Analysis | | | | | | Potential VFM | Conclusion |
|---------------------------------|---|---|---|--|---|---|--|------------|
| | Meeting Spending objectives | Strategic fit | Achievability | Supplier capacity and capability | Affordability | | | |
| 1. Do nothing | Does not meet spending objectives. | Does not deliver strategic outcomes. | Will not be achieved. | Not required. | Does not require any additional funds. | Does not require and funds and will not achieve efficiencies | Does not meet investment priorities and will not achieve the desired outcomes. | |
| 2. Do minimum | Meets some but not all spending objectives. | Delivers some strategic objectives but not all. | Will deliver a reduced number of units. | Reduced scheme and supplier capacity required. | Requires some Towns Funding approval. Project at risk without funds | A reduced Towns Fund investment will deliver fewer housing units and will not achieve the desired outcome from the Urban Living Programme. | Meets some but not all investment priorities. Outcomes not optimised. | |
| 3. Preferred Option | Meets all spending objectives. | Delivers all strategic objectives. | Will deliver 1,250 units by 2030.. | Dependent upon Towns Fund approval. Developers to ensure adequate supply chain to meet timescales. | Requires £13.3m of Towns Fund grant. Project at risk without funds. | A £13.3m Towns Fund investment will facilitate an £81m public/private sector investment and will achieve the desired outcome from the Urban Living Programme. | Meets all investment priorities. The project is deliverable if the £13.3m Towns Funding is approved. It achieves the desired outcomes. | |

COMMERCIAL CASE - How will the project or programme be delivered?

Market Analysis

The Middlesbrough Housing Demand Study, produced by Knight Frank in September 2020, stated that the lack of new development in the town centre area in recent years means that there is a clear gap in the market for good quality new build stock.

The current lack of owner occupation in the area, means that demand in the short-term is likely to be for affordable housing and purpose built private rented accommodation.

As single person households and families make up an equal proportion of households in the TS1 postcode, it is anticipated that there will be demand for smaller houses and flats and larger 3 and 4 bed houses.

It was also reported that future demand in the town centre will likely be driven by smaller single households, with a focus on younger persons, as well as families with both dependent and non-dependent children.

In the Middlehaven area demand will primarily be driven by young single persons and couples, aged 18 to 30. Given the success of the Boho Quarter, there will be particularly high demand from those working within the digital sector. There is also an opportunity to attract families over the long term, particularly once the new secondary school opens in 2023.

Feedback from developers indicated that there are viability issues associated with low sale values, which could be addressed through the utilisation of public funding, which will increase developer confidence and enable a balanced housing market to be established in the town centre.

Delivery Confidence

The delivery of the 1,250 new homes is reliant on third party developers and funders. There is a requirement to initially over programme in order to ensure that the desired unit numbers are delivered in the event that an individual scheme does not proceed.

This over-programming, coupled with the Council's partnership with BCEGI to deliver over 500 units in Middlehaven, and the established relationships with Middlesbrough Development Company and the Registered Providers who are already active in the area, give confidence that the Programme's objectives can be delivered.

Delivery model

Each scheme brought forward under the Urban Living Programme, will have its own unique viability issues, associated with the individual site constraints and the proposed type and tenure of housing.

Where necessary, bespoke solutions will be developed that remove the barriers to development associated with a particular site but it is envisaged that a grant award to the scheme developer, with appropriate performance milestones etc., would be utilised to ensure that the programme outputs can be delivered within the desired timescale.

Developers will not make excess profits from this subsidy and typical market returns will be anticipated. In practice, the subsidy will be passed through to the occupiers / tenants by way of constraining the rents required to achieve viability in Middlesbrough's housing market.

The housing outputs will be monitored and reported as part of the overall town-wide Housing Growth Programme.

MANAGEMENT CASE - How will delivery of the programme/project be planned, monitored and overseen to evaluate and ensure its success?

KPIs, Monitoring and oversight

The project will be monitored under the Towns Fund Urban Living programme and Middlesbrough Council's Housing Growth Programme, which feeds into the Medium Term Financial Plan.

Regular progress reports will be made to the Towns Deal Board in their meetings, regarding expenditure and the achievement of the key milestones set out earlier in this Business Case.

Any performance issues will be reported immediately and action will be taken to mitigate risks and approve key decisions in order to ensure performance issues are addressed accordingly.

PPM strategy and Project framework

The project will be managed as part of the Council's Housing Growth Programme (which profiles, monitors and reports on all housing completions in the town) in accordance with the adopted Project and Programme Management protocols.

A Towns Fund - Urban Living Project Team has also been established with responsibility for the management and control of the Urban Living Programme.



As with many Housing Growth projects, the Council may facilitate development via the sale of land to a developer. In this instance the Council will also administer the Towns Fund grant and will ensure that the disposal of the site is conditional upon the achievement of planning approval and an agreed start date.

The construction works will be procured and managed by the scheme developers.

Project Plan

| Milestone | Date |
|---|-------------|
| Board approval for Towns Fund Programme. | November 21 |
| Conclude scheme feasibility. | March 22 |
| Establish grant procedures and processes. | April 22 |
| Planning process commences | March 22 |
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Change or risk management strategy

The achievement of the annual housing growth target is a key strategic risk for the Council, because of the possible implications for the Medium Term Financial Plan (MTFP). Quarterly monitoring is undertaken to ensure that any issues can be reported immediately.

The day to day management of scheme specific risks and issues will be undertaken in accordance with the Council's adopted PPM protocol. Risk and Issues logs will be produced and maintained for discussion by the Urban Living Project Team.

Evaluation and benefits realisation

The evaluation and benefits realisation will be monitored in accordance with the Council's Project and Programme Management (PPM) protocol. The completed housing units will be monitored quarterly for the life of the project and a Closure Report will be produced which evaluates the success of the project in achieving the stated outcomes and objectives.

Historic Buildings/Town Centre Conversions

Introduction

When the Towns Fund Programmes was originally devised, the Historic Building and Town Centre Conversions projects were two separate schemes. The Town Centre Conversions project was however to convert an historic building in Queens Square located within the Heritage Action Zone.

However an opportunity has now arisen to apply for Heritage Lottery Funding to complete a total refurbishment of the Old Town Hall and bring it back in to use much sooner than anticipated, rather than just carrying out the structural repairs required to maintain it.

It is therefore proposed that £700,000 provisionally allocated to Town Centre Conversions is utilised by the Historic Buildings project, providing £1.3m of co-funding to a Heritage Lottery Fund application.

Progress to Date

Following the Towns Fund award of £600k survey work has begun (including asbestos, structural and ecological surveys) at the Old Town Hall and clearance of the site is scheduled.

Structural repairs were due to follow a Listed Buildings Consent application, but both are on hold pending the submission of an Expression of Interest to the Heritage Lottery Fund.

The Council have had an initial meeting with the National Lottery Heritage Fund's Senior Engagement Manager for the North East to discuss the process of submitting an application to the Heritage Lottery to support the development of the Old Town Hall. The Heritage Lottery confirmed that the Old Town Hall redevelopment sits within their funding criteria and has the potential to be awarded funding, subject to successful application process. They acknowledge the importance of the development in line with the wider Boho and St Hilda's masterplan and are eager to work with the Council in developing an Expression of Interest for the project.

The National Lottery Grants for Heritage offer grants for £250,000 up to £5m, the Heritage Lottery felt that an emerging project for the Old Town Hall would be more suited to the Heritage Enterprise stream of the funding, where projects seek to achieve economic growth by investing in heritage. Projects seeking over £1m would be required to contribute a minimum 10% of the project costs but the Heritage Lottery did state that projects that provide a greater match contribution are looked at more favourably.

The pause on activity at this stage provides circa £600k of match funding. The proposed additional funding from the Towns Fund would take that figure to approximately £1.3m.

If the HLF bid proves unsuccessful works will proceed as planned to ensure the structural stability of the asset, with additional funding used to further support the redevelopment of the site.

Programme Implications

As both the Town Centre Conversions and Historic Buildings schemes fall within the overarching Enterprise Infrastructure Theme, the Annex C document submitted to Department of Levelling Up, Housing and Communities (DLUHC), in terms of funding requirement and outputs would remain unchanged from the approved funding agreement.

As the Queens Square Building falls within the Heritage Action Zone it is likely to attract future private investment due to its key location. At the present time, it is not in Council ownership and Council intervention has proved more difficult than originally anticipated.

In terms of outputs, the Old Town Hall offers almost identical floor space and is at the heart of the Middlehaven Development and a key symbol of Middlesbrough's historic past.

Conclusion

The Town Deal Board agree an amendment to the Historic Buildings Business Case to increase Towns Fund resource from £600k to £1.3m, utilising £700k originally allocated to Town Centre Conversions. To allow at a minimum additional repair works and significant preparation for reuse or at a maximum to draw down Heritage Lottery Funding to allow a full refurbishment and conversion to a mixed use facility at the centre of Middlesbrough's new commercial heart.

The bidding process is open at any time and work would be developed to submit a bid in early 2022 with the Heritage Lottery citing a C. 6 week turnaround for the initial expression of interest. At this time it would be clear if a bid had favourable support or the allocated funding could be brought back to the Town Deal Board for discussion.

Towns Fund Board
Friday 19th November 2021 at 11am via Teams

Present:

Andy Preston, Mayor of Middlesbrough
Tony Parkinson, Middlesbrough Council Chief Executive
Andy McDonald, Member of Parliament for Middlesbrough
Cllr Mieka Smiles, Deputy Mayor and Executive Member for Culture and Communities MBC
Laura Sillars, Dean of mima School of Art & Design Teesside University
Zoe Lewis, Principal and Chief Executive Middlesbrough College
Daryl Thomlinson – Cleveland Police (Sub for Richard Lewis)
Ian Wardle – Chief Executive Thirteen Group

In attendance

Richard Horniman, Director of Regeneration MBC
Sam Gilmore, Head of Economic Growth and Infrastructure MBC
Louise Antill, Towns Fund Programme Manager

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| 1. | <p>Apologies and declarations of interest</p> <p>Apologies: Ben Houchen – Tees Valley Mayor Simon Clarke, MP for South Middlesbrough and East Cleveland Richard Lewis / Marc Anderson, Chief Constable Cleveland Police Rachel Anderson, Assistant director of Policy NECC Adam Suleiman – Cities and Local Growth Unit Thomas Smith – Public Engagement Specialist Nicholas Baumfield - Arts Council</p> <p>Declarations of Interest: Andy Preston nominated to withdraw from the Urban Living Business Case discussion and voting.</p> |
| 2. | <p>Minutes from previous meeting</p> <p>Andy McDonald highlighted that the conditions set out within the report for the Ward Initiatives Item should be set out explicitly, in the minutes – this has been done and the minutes will be recirculated.</p> |
| 3. | <p>Town Deal Board Assurance Framework (Adoption and Process)</p> <p>Further to the remote circulation of the Assurance Framework, SG presented a flowchart to show how the Assurance Group fits within the business case approval process and subsequent monitoring and evaluation of individual projects.</p> <p>The Board felt the proposed framework was a good approach and was happy to adopt.</p> |
| 4. | <p>Project Progress Reporting</p> |

SG ran through a proposed structure for reporting project progress to the Board based on the thematic strands of the Towns Fund Programme and asked the Board what other information they would like to be included.

Following a discussion the Board would also like to see:

- Progress by sub project
- Each project to complete a monitoring template on a quarterly basis
- Monitoring outputs beyond the length of the financial agreement
- Gantt chart
- Global level and project level expectations – how do we measure the impact of the programme?

IW asked how the programme will deal with variations in capital costs, given that inflation is continuing to rise. SG confirmed that there is no room to bid for further resource and all projects will have to build in contingency arrangements. The Assurance Group will help to manage this process. There is also some room to make variations at a programme level within existing allocations, through the submission of a change control to DLUHC.

5. Urban Living Business Case

AP – recused himself from the process as per declarations of interest above.

Tony Parkinson chaired the item.

The Urban Living Business Case requests £11,318,000 (in addition to £2m already approved) to deliver a programme of Urban Living schemes, which will create 1,250 new units of accommodation, predominantly in and around the Middlesbrough town centre area. Resource will provide gap funding to stimulate an untested market to deliver mixed use units.

LS sought assurances of how the quality of the developments could be set into criteria. IW raised a similar point and set out some headline national criteria which may form part of the board's qualitative recommendations for the funding.

Following a discussion the Board agreed to support the business case, however individual schemes will come back to subsequent meetings with the following being considered:

- Quality Standards – **Action Point** SG/LA to draw up a Quality Framework for Housing Developments supported by the Towns Fund.
- Utilising Modern Methods of Construction
- National design space standards
- Zero carbon
- Biodiversity
- Red Book appraisal
- Open / limited calls
- Towns Fund to be funder of last resort
- Maximum profit cap to be in place
- Developments to be covered within the existing Local Plan
- School places – **Action Point** TP to arrange a separate meeting with AMc and the Council's Education Department

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| | <ul style="list-style-type: none"> • Road system and parking to be considered <p>The projects was approved unanimously by the board, subject to review of development appraisal for each site.</p> |
| <p>6.</p> | <p>Town Centre Conversions - Old Town Hall</p> <p>A proposal was brought to request the Board award £700,000 provisionally allocated to Town Centre Conversions to the Historic Buildings project, providing £1.3m of co-funding to support a Heritage Lottery Fund (HLF) application to allow a full refurbishment and conversion to a mixed use facility at the centre of Middlesbrough's new commercial heart.</p> <p>If the HLF application was unsuccessful the Board could decide whether to allow the Old Town Hall to further utilise the resource to make additional improvements rather than the basic refurbishment the original £600k would provide or if it should be spent for its original purpose. HLF outline proposals take around 6 to 8 weeks to turnaround, therefore the outcome would be known within the financial year.</p> <p>If the HLF bid was successful it is anticipated that the facility would be ran by a private sector organisation in the long-term with community use provided.</p> <p>The Board unanimously agreed the proposal.</p> <p>AP – had not returned to the virtual meeting at this point.</p> |
| <p>7.</p> | <p>Any other business</p> <p>None</p> |
| <p>8.</p> | <p>Date and time of next meeting</p> <p>TBC</p> |