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| <b>Report of:</b>          | The Mayor, Andy Preston   |
| <b>Submitted to:</b>       | Council   |
| <b>Date:</b>               | 24th February 2023  |
| <b>Title:</b>              | Mayoral Development Corporation – Consultation                  |
| <b>Report for:</b>         | Decision  |
| <b>Status:</b>             | Public  |
| <b>Strategic priority:</b> | Town centre   |
| <b>Key decision:</b>       | Yes   |
| <b>Why:</b>                | Decision(s) will have a significant impact in two or more wards |
| <b>Urgent:</b>             | Yes   |
| <b>Why:</b>                | Needs consideration before consultation deadline                |

**Executive summary**

A proposal to create a Mayoral Development Corporation covering Middlesbrough Town Centre and Middlehaven has been laid before Parliament in preparation for its inception on February 27<sup>th</sup>. As part of this process a consultation will be opened by the Secretary of State for Levelling Up, Housing and Communities, and the Council will be asked to respond. The principles of any future consultation response are proposed in this report to cover the Council's views on issues such as the overall support for the corporation, and on more detailed matters around others such as discharging planning responsibilities for the designated area. The report also proposes the transfer of specific Council assets over to the corporation to enable it to accelerate development and deliver against the emerging masterplan. The proposed transfer would trigger activity with the potential to generate £4.9m of additional revenue for the Council per annum, 2,931 direct jobs and £287m of investment.

## **Purpose**

1. The purpose of this report is to seek endorsement for a clear Council position on the formation of a Mayoral Development Corporation for Middlesbrough Town Centre and Middlehaven. As part of the process of forming the corporation, the Council will be asked by the Secretary of State for Levelling Up, Housing and Communities for its views on a number of principles, which are set out in the report.
2. The report also seeks endorsement to the transfer of a defined list of Council assets to the corporation in the event of its formation being confirmed.

## **Background and relevant information**

3. In May 2022, the Tees Valley Mayor announced that he intended to establish a Mayoral Development Corporation that would cover Middlesbrough Town Centre (including Middlehaven). The announcement stated that *“The Mayoral Development Corporation provides an unprecedented opportunity to define the place, its purpose, ambition, values and target market. It will give the region the tools to speed up delivery of what we need to build strong foundations, attract private investment, people and businesses, while enhancing the town for residents and visitors”*. A similar corporation was also announced for central Hartlepool.

## **Mayoral Development Corporations**

4. A Mayoral Development Corporation, or MDC, is a statutory body created to accelerate the regeneration of a defined area. It can draw on a wide range of powers to acquire, develop, hold and dispose of land and property, and develop infrastructure.
5. The power to establish a Mayoral Development Corporation is set out in the Localism Act 2011 (Section 197) that empowers the Secretary of State, by order, to establish a development corporation for an area and to give that corporation a name notified by the Mayor. This power is reflected in the Tees Valley Combined Authority (Functions) Order 2017 which sets out the steps that would need to be taken to establish an MDC in Tees Valley.
6. Orders would be placed before Parliament by the Secretary of State to define the powers and responsibilities of a corporation, but the powers and responsibilities vested can vary depending on what an area is trying to achieve. These powers could include:
  - a. infrastructure;
  - b. regeneration, development of land and other related activities;
  - c. acquisition of land by compulsory purchase and overriding third party rights to its land;
  - d. adoption of private streets;
  - e. carrying on of business by the MDC and its participation in subsidiaries and other companies;
  - f. giving of financial assistance;
  - g. planning (including powers set out in the Town and Country Planning Act 1990); and,
  - h. discretionary relief to business (non-domestic rates) rate payers.

7. Such a corporation would be classed as a public body with regard to issues such as the Freedom of Information Act.

### ***Local Powers***

8. As the designation of an area as an MDC can be agreed directly between the Tees Valley Combined Authority (TVCA) and the Secretary of State for Levelling Up, Housing and Communities, Middlesbrough Council does not have a direct power of veto. The Council is however a key consultee in the legal process, and a key partner in TVCA, so the views of the Council are clearly an important factor in its establishment.

### ***Progress to Date***

9. Following the announcement in May 2022 the establishment of an MDC was debated within the formal structures of TVCA, culminating in a formal decision on 22<sup>nd</sup> July 2022 to support the designation of an MDC for Middlesbrough – subject to consultation. At this meeting an allocation of £10m was also agreed for inclusion within the TVCA Investment Plan to support the MDC.
10. The objectives of the proposed MDC were set out as follows:
  - a. to further the economic development and regeneration of the Middlesbrough area, so that it becomes a major contributor to the Tees Valley economy and the delivery of the Tees Valley's Strategic Economic Plan;
  - b. to attract private sector investment and secure additional jobs, available for the people of the Tees Valley; and,
  - c. to transform and improve the environment of the Corporation area, providing good quality commercial, cultural, leisure and housing facilities for the benefit of the people of Middlesbrough.
11. A formal consultation on the establishment of the MDC closed in August 2022, having given people and organisations the opportunity to comment on the general principles of the proposal, potential powers the MDC may hold, and the red line boundary within which it would operate.
12. The overall response to the consultation was very positive towards the establishment of an MDC, with 79% responding that a corporation would support the economic regeneration of Middlesbrough. Some minor amendments were proposed to the red line, that have now been accepted.
13. The Council's own response to the consultation was also positive about the establishment of the corporation but included a number of caveats in relation to specific powers and the need for further local engagement. This response was approved by the Council's Executive on 3<sup>rd</sup> August 2022 and submitted thereafter. This formal response is included as **Appendix I**.
14. Since the consultation ended, a shadow MDC board has been established, comprising:
  - a. Ben Houchen (Tees Valley Mayor)
  - b. Paul Booth (Vic Chair, Teesside University)

- c. Andy Preston (Mayor, Middlesbrough Borough Council)
- d. Idrees Rashid (Director of Operations, BME Network CIC)
- e. Mieka Smiles (Deputy Mayor, Middlesbrough Council)
- f. Steve Turner (Police & Crime Commissioner, Cleveland Police)

15. The shadow board also includes the following Associate Members:

- a. Julie Gilhespie (Chief Executive, Tees Valley Combined Authority)
- b. Tony Parkinson (Chief Executive, Middlesbrough Council)
- c. Mark Webster (Chief Constable, Cleveland Police)

16. The shadow board has met on a number of occasions since formation, to discuss the formal steps required to bring the MDC into being, and the powers to be requested from the Secretary of State.

17. In line with the legislative framework, the formal submission to create the MDC was made to the Secretary of State for Levelling Up, Housing and Communities in October 2022. This signalled the start of the formal legislation being drawn up by the government to establish the MDC and its accompanying powers.

18. In more recent months, a draft constitution has been prepared by the shadow board and circulated to partners for comment, alongside a masterplan that sets out a list of priority areas and interventions that the MDC would seek to take forward.

19. To complete the formal designation process, the formal order to establish the MDC was laid before Parliament on 6th February and is expected to be confirmed as passing into statute on 27th February. This would trigger the formal creation of the MDC as a legal entity.

20. The final boundary agreed with the government is included as **Appendix II**.

### ***Second Consultation***

21. Following the more general consultation about the principles of the MDC concluding in August 2022, a more detailed consultation is now to be undertaken by the government on the key issues such as the powers that the MDC would carry, and the ownership of assets that would be required to fulfil its remit. The views of Middlesbrough Council are specifically required to inform this process.

22. As the Council's response to key issues will be critical to the formation and development of the MDC, the Council's position is being requested by the government at the earliest opportunity, although further consultation may continue beyond this.

23. Although this report is being written prior to any formal questions being set out by the government, there are a number of key principles that will need to form the basis for any response. These are set out below, along with the proposed position for the Council to adopt. The response will be prepared and submitted in line with these principles.

## **Proposed Consultation Responses**

### ***Support for the MDC***

24. As set out in the first consultation response submitted in August 2022, the establishment of an MDC would be seen as a positive, and the Council would therefore be supportive, due to the following rationale.
25. The economy of Middlesbrough is evolving in line with national and global trends around retail, travel and leisure. The Covid pandemic has accelerated existing trends and created new challenges that mean the existing plans for Middlesbrough Town Centre are no longer sufficient to guarantee a sustainable, functioning economic area. The extent of the change needed, and the scale of investment required are potentially beyond the reach of Middlesbrough Council, and its existing range of partners.
26. The development of an MDC should offer the opportunity to increase the public sector's ability to intervene in the economy of the town centre and engage more effectively with the resources of the private sector. An MDC should also be able to utilise powers not currently available to the council, providing it with a greater opportunity to regenerate the town centre, and force the issues that would otherwise delay or obstruct the Council's ability to act. When fundamental change is required to ensure the town evolves in line with national and global trends, this ability to act could be hugely beneficial.
27. The funding available to Middlesbrough Council in recent years has been significant, but not significant enough to tackle the major physical change required to truly transform the town. An MDC would open the door to greater investment from TVCA and from the government with significant potential to ensure Middlesbrough is at the front of the queue for new initiatives, policy changes and funding rounds. If this is exploited, there would be a significant benefit to the town. The increased opportunity to influence government policy thinking would also be exploited.
28. The potential for additional investment into Middlesbrough has been clearly evidenced in recent weeks with the initial proposal for £10m of investment from TVCA being supplemented by a further £8m announced by the Secretary of State for the Gresham area to deliver the MDC's future plans. In simple terms, the establishment of an MDC would automatically unlock £18m of funding that would otherwise not be available to the area.
29. Overall, an MDC should be able to accelerate the regeneration of the town centre, and provide greater influence, resources and strategic direction to the planned transformation, than would otherwise be achieved without it.

### ***Proposed Constitution***

30. Since the first draft of the constitution was produced, a number of changes have been requested to ensure the interests of Middlesbrough Council are protected. The majority of these changes have now been agreed. Whilst there will inevitably be minor further drafting required, the version included as **Appendix III** represents the current proposal.
31. The key protections that have been added with regard to the Council can be summarised as:

- a. An elected member of Middlesbrough Council shall be the Vice Chair of the Corporation Board.
- b. The quorum shall be half of the members in office, to include the TVCA Mayor, and **must** include at least one Member who is an elected Member of Middlesbrough Council.
- c. The Corporation must not make any decision which imposes a financial or other liability on Tees Valley Combined Authority or Middlesbrough Council.

32. As it stands, it is recommended that the proposed constitution represents an appropriate balance between the needs of the MDC and the protections the Council would require to engage proactively.

### ***Planning Powers***

33. In line with the legislation around MDCs, the Middlesbrough MDC would seek to discharge planning powers within the boundary shown in **Appendix II**. How these powers would be discharged would be contained within a Memorandum of Understanding between the MDC and Middlesbrough Council (the existing Planning Authority). The Memorandum would set out the following position:

- a. The MDC would discharge planning powers for all decisions that fall within the red line boundary, where they meet the 'strategic' definition set out in the Memorandum. Decisions on all other planning matters within the red line boundary would be delegated back to Middlesbrough Council.
- b. The MDC would discharge compulsory purchase powers for the red line area, with Middlesbrough Council still able to exercise such powers with consent where required.
- c. The MDC would discharge all powers within the red line area with regard to listed buildings.
- d. All planning enforcement matters would be delegated back to Middlesbrough Council, as would any applications regarding consent for overhead electricity lines.
- e. The MDC would not be discharging any powers relating to the preparation and adoption of the Local Plan, although in line with statutory requirements, a Supplementary Planning Document/Design Code would be developed for the red line area, which would sit alongside an agreed masterplan. This document would be published for statutory consultation.

34. In practice, the number of planning decisions likely to be made by the MDC is quite limited, as it would only be for major investments. As these investments are significantly less likely to be forthcoming without an MDC, the number of Council planning decisions that would otherwise have been required in the town centre would be even smaller.

35. Subject to the final agreement in the Memorandum of any detailed implementation issues within the above, it is recommended that the Council be supportive of the proposed approach.

### ***Discretionary Rate Relief***

36. The MDC would have the power to grant discretionary rate relief to businesses within the redline boundary. The application of this power in operational terms has been the subject of extensive discussions with officers, and a detailed Memorandum of Understanding is being developed to guide its implementation.

37. The default position would be that the MDC can grant business rate relief within the red line area but must compensate Middlesbrough Council for any resulting loss of business rates income.

38. Where this applies to new rates (e.g. new investments) there would be an agreement that this could be offered without compensating the Council, but only if it is agreed by the MDC Board, with the express agreement of the Mayor of Middlesbrough. In the event this isn't granted it reverts to the above default position. Therefore, the Mayor of MBC would have a veto over any such scheme. Where there is an impact on Council finances, again it reverts to the default position.

39. Given the veto, and the agreed default position, it is recommended that the Council be supportive of this approach.

### ***Asset Transfers***

40. As part of the legislation, an MDC can request any existing publicly held assets be transferred into its ownership.

41. Since the intention to set up an MDC was announced by the Tees Valley Mayor, discussions around the potential transfer of Council assets have taken place continuously. As plans have started to emerge, the assets which were deemed by both parties to be best positioned to facilitate the delivery of the MDC masterplan have become clearer. The final list of assets being requested for transfer is therefore as follows:

| <b>Asset</b>  | <b>Details</b>  | <b>Rationale</b>  |
|---|---|---|
| Station Street Car Park / Marsh Road  | 116 space car park  | Redevelopment of under-utilised part of town into vibrant mixed use employment district. Delivery of new destination with improved footfall and live/workspaces to create a new community along Station Street. |
| Units under A66 along Wilson Street – Land lying on the south side of Brunswick, Exchange Walk and Royal Exchange Place | Retail units currently leased to single operator  | Opportunity to improve the Arches along Wilson Street to provide improved sense of safety and increased footfall under the A66.   |
| Gresham: Buildings on Linthorpe Road near The Crown (147, 149, 151 Linthorpe Road)                                      | Three retail units purchased to facilitate 'punch through' into previous Student Village scheme | Delivery of mixed-use development to regenerate Gresham including student accommodation, leisure uses,  |
| Gresham: Amber Street Car Park  | 72 space car park   |   |

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|--|--|---|
| Gresham: Land used for car parking behind the Crown  | Area currently used for informal car parking   | business incubation space and car park.   |
| The Crown  | Recently purchased former cinema building secured to preserve heritage value                                 |   |
| Civic Centre   | Former Council offices currently on the market for sale  | Redevelopment of strategic site to increase mix of uses around key open space in the town.  |
| Buxton Street Car Park                               | 93 space car park  | Required to facilitate development of the Gurney Triangle.  |
| Jurys Inn Car Park                                   | 32 space car park  | Required to facilitate development of the Gurney Triangle.  |
| Broadcasting House                                   | Enterprise Centre currently housing a number of businesses, charitable organisations and the BBC             | Gateway Development Opportunity   |
| Sainsburys Site                                      | Freehold of site currently leased to Sainsburys for superstore   | Gateway Development Opportunity   |
| Middlesbrough Bus Station                            | Bus station, layover space, coach provision, Council accommodation and retail units housing seven businesses | Opportunity to better integrate a modern transport hub into the emerging Town Centre uses.  |
| Middlehaven, Middlesbrough Dock and Surrounding Land | 38.93 acres of land assembled over time from various ownerships  | St Hilda's housing development, internationally recognised anchor leisure attraction and mixed use residential and commercial dockside development that will deliver waterfront living and working. |

42. A plan showing the location of these assets is included as **Appendix IV**, although exact boundaries are subject to further clarification to ensure already developed land and assets are excluded where appropriate.

43. The Council's appetite for transferring these assets will be critical to the Secretary of State's consultation, and therefore the future of the MDC. It should however be noted that despite any views that may be expressed by the Council, the legislation dictates that any decisions on the ownership of publicly held assets ultimately fall to the Secretary of State. In short, the Council may choose to *support* or *oppose* the transfer of assets, but it cannot ultimately control whether it happens or not.

44. Although the Secretary of State has the legal power to transfer any publicly owned asset over to the MDC (even if it is against the wishes of the Council), the intention of both the government and the MDC itself is to achieve this through mutual agreement.

45. As a result, extensive financial due diligence has been undertaken by the Council to understand what the financial implications of the proposed transfers would be. These implications are set out as follows:

#### *Annual Income / Expenditure*

46. Each asset considered for transfer has an impact upon the current Medium Term Financial Plan (MTFP). Some are positive as they generate income in excess of expenditure (such as car parks) and others are negative as they trigger costs in excess of income (such empty buildings with high security costs).



47. If car parks are removed from the equation, the overall costs of retaining the requested assets significantly outweighs the income generated from them (by over £200,000). Once car parks are included within the equation, the position improves, but still does not represent a positive impact upon the MTFP (it remains a minor negative). As a result, transferring the listed assets would not trigger any compensation from the MDC, and would potentially make the Council a minor saving.
48. Where an asset identified for transfer is in current operational use (such as a car park or tenanted commercial unit) it is proposed that the Council would retain the ability to operate the asset until such times as the MDC require the operations to cease. For example, the Buxton Street Car Park could transfer to the MDC, but the Council would continue to operate it as a car park, and retain the income from doing so until the site is needed for development. The financial impact of this would benefit the Council rather than the MDC, so would therefore not need to be factored into the equation.
49. It is therefore recommended that the Council would not oppose the transfer of assets on the basis of current MTFP expectations.

### *Capital Receipts*

50. Although the Secretary of State's powers extend to determining if any capital receipt should accompany the asset transfer, there is an expectation that the transfer of assets between two public bodies is done without triggering such a payment. Transferring multiple assets with significant capital value from the Council to the MDC would however cause a significant reduction in the Council's asset portfolio value, and therefore the capacity for future borrowing.
51. In determining its response to the request to transfer, the Council also has to ensure that it fully meets its legal obligation to observe best consideration. The Council would not therefore be able to accept a situation where assets transferred to the MDC without any capital receipt unless there was a sound business case for doing so or some other mechanism for release. As the assets are currently valued at a total of £14.7m, the benefits need to significantly exceed this figure.
52. The valuation figure of £14.7m is derived from the net book value that the Council currently holds the assets at, although this is not always reflective of the market value that could be achieved from an open sale. Some of the assets would naturally have the potential to achieve a higher value in a competitive sale, but many of those listed are unlikely to achieve the book value if disposed of in the current market conditions. The bulk of the asset valuation is derived from the land at Middlehaven, where 38.93 acres is currently held as a value of £175,000 per acre, or £6.8m.
53. The business case would need to take into account the potential benefits to the Council and to the people of Middlesbrough of transferring assets over to the MDC, balanced against the potential benefits of the assets remaining with the Council. If it can be demonstrated that the benefits of transferring to the MDC outweigh any negative implications for the Council then it would be appropriate to support this course of action.

54. The business case put forward for supporting the transfer of assets without an accompanying capital receipt, through the delivery of the emerging masterplan can be summarised as follows:
- a. The formation of the MDC and the transfer of Council assets would directly trigger the investment of £10m from TVCA's Investment Plan, and a further £8m from the Department for Levelling Up, Housing and Communities for development at Gresham.
  - b. 1m sq ft of new commercial space would be created from projects utilising the Council's assets at a cost of £209m, providing the Council with additional business rates of up to £3.7m per annum, exclusive of any discounted rate relief.
  - c. 590 new homes (on top of existing Council plans) would be created through projects utilising the Council's assets at a cost of £78m, providing the Council with additional Council Tax of around £1.2m per annum.
  - d. 2,931 direct and 1,172 indirect jobs are expected to be created from projects utilising the Council's assets, creating a Gross Value Added to the local economy of £125m and £38m respectively.
  - e. The wider activities of the MDC utilising other non-Council assets would also add further investment, housing and commercial space into the area, along with additional jobs and the corresponding effect on Gross Value Added.
  - f. In addition to the above benefits, any profits or receipts generated by the MDC's ownership of the transferred assets is ringfenced within the constitution to furthering regeneration objectives within the red line boundary. In short, the capital value of the assets may be lost to Middlesbrough Council but is not lost to the area.
  - g. Any transferred assets would be returned to the Council if development did not take place within 10 years, ensuring that the value of any undeveloped land or assets would be retained in the longer term by the Council.
55. Although the MDC would generate significant development activity and new Business Rates and Council Tax revenue, some activities were already planned and in place for the future development of St Hilda's. This activity is expected to produce around 500 housing units, with additional Council Tax of up to £1.2m per year once complete. This has not been included above and is provided as context only. This does however set out the extent of the activity that the Council is likely to be able to stimulate *without* the formation of an MDC.
56. In total the potential additional income to the Council would equate to around £4.9m per annum on top of existing development plans and an additional development value of £287m (including the initial investment of £18m). As the assets requested for transfer are currently held on the Councils balance sheet at a value of £14.7m this would suggest that the business case for transfer is sufficient to enable the Council's Best Consideration duty to be observed.

57. It is therefore recommended that the transfer of assets be supported, to facilitate the financial benefits of the overall business case for the town. The final transfer arrangements would be subject to the Council's Section 151 Officer being satisfied that the Best Consideration duty continues to be observed.

### **Timescales**

58. The Secretary of State's consultation will take place in February and March, but the Council's views on the key issues are required at the earliest opportunity.

59. Assuming the order laid before Parliament on 6<sup>th</sup> February is successful, the MDC would come into being on 27<sup>th</sup> February.

60. Any approved asset transfers would take place from February 27<sup>th</sup> onwards, as determined by the Secretary of State.

### **What decision(s) are being recommended?**

61. That the Council endorses the proposed principles around the formation of the Mayoral Development Corporation, as set out in the report, to inform a response to the government consultation.

### **Rationale for the recommended decision(s)**

62. The establishment of an MDC for Middlesbrough Town Centre and Middlehaven would enable the economic regeneration of the town to be accelerated.

### **Other potential decision(s) and why these have not been recommended**

63. The Council could choose to respond negatively to the consultation, and request that the Secretary of State prevents the formation of an MDC for Middlesbrough. Although this may potentially retain the Council's level of control over the regeneration of the area, and its existing assets, the lack of available finance and capacity would greatly constrain the next phases of the town centre's evolution. The £10m identified in the TVCA Investment Plan and the £8m recently announced for Gresham would not be forthcoming, and future funding options would be severely limited. This option has not therefore been recommended as the benefits that the MDC could bring would heavily outweigh the benefits of retaining the current level of control.

64. The Council could choose to respond positively to the consultation about the MDC but stop short of supporting the transfer of any assets. Although the Secretary of State does have the power to transfer the assets regardless of the Council's endorsement, this is not the intention of anyone involved in the process. Supporting the formation of the MDC and retaining the listed assets would potentially be feasible, if the emerging masterplan was not reliant upon the MDC having control of the assets required to make the subsequent deals commercially viable. The advantage of the MDC would be that it can work more closely with the private sector to facilitate development, which would be made more difficult by other public sector ownership interests. This option has not therefore been recommended as the benefits that the MDC would bring would heavily outweigh the benefits of the Council retaining control of these assets.

## **Impact(s) of the recommended decision(s)**

### ***Legal***

65. The establishment of the MDC would significantly affect the Council from a legal standpoint. There will be significant changes required to the Council's role in town planning, compulsory purchase powers and to the awarding of Business Rates relief. Legal Services would be heavily involved in responding to the implications of these changes, and the legal relationship that would need to exist between the MDC and Middlesbrough Council. This work is already underway and would continue as the practical arrangements around these areas evolve further.
66. The transfer of assets to the MDC would also require significant legal input to ensure that the Council's interests are appropriately protected. This would include ensuring that any tenancy agreements in place are appropriately managed, and the any ongoing operational issues are undertaken with the appropriate protections in place.
67. The emerging MDC constitution will also be critical, as this will ultimately guide the future interaction between the Council and the MDC. The issues of control/influence, veto, voting and scrutiny are managed through this document, and the Council will continue to push for the evolution of a document that needs to balance the future regeneration needs of the town with the Council's need for good governance, stability and financial sustainability.

### ***Strategic priorities and risks***

68. The remit of the proposed MDC would encompass many of the priorities set out in the Council's Strategic Plan. Key priorities affected would include:
- a. Develop an Urban Farm
  - b. Installation of 15 new EV charging points across town
  - c. Establish the requirement for potential CPO of derelict buildings and problem sites
  - d. Consider potential for BOHO digital expansion
  - e. St Hilda's housing starts around Old Town Hall
  - f. Protect and celebrate heritage through marketing and comms strategies and complete planned works on Capt Cook pub and Old Town Hall
  - g. Open three entertainment facilities within Captain Cook Square
  - h. Commercial and residential development of west and south side Middlehaven sites
  - i. Action plan agreed and commenced for House of Fraser building
  - j. Action plan agreed and commenced for Centre North East
  - k. Action plan agreed and commenced for the Crown Pub building
  - l. Action plan agreed and commenced for Gurney House
69. The purpose of the MDC would be to significantly accelerate the delivery of some of these priorities.

### ***Human Rights, Equality and Data Protection***

70. As any MDC would be classed as a public body, the same legal protections would apply to it that currently apply to Middlesbrough Council. No issues have yet been

identified, but these would be considered in the future, once the potential impacts on the Council's role are clear.

## ***Financial***

71. Middlesbrough Council was served a Best Value Improvement Notice in January 2023 and as such the Council needs to consider the implications of this when taking decisions to ensure they are taken with due consideration of relevant information. The current climate where councils are held to account for financial sustainability with subsequent risk of intervention begs for a greater degree of due diligence and transparency. As a result, there are a number of areas where the formation of the MDC and the proposed transfer of assets could have an impact upon the Council's financial position:

### *Asset Transfer*

72. This report sets out the consequences of an MDC on Middlesbrough and also the contextual information to enable the Secretary of State to exercise his powers for the transfer of assets. If the Secretary of State makes a lawful scheme requiring transfer at nil value or an undervalue, the intention is clearly that the parties have to comply with it.

73. The MDC forms an integral part of the Tees Valley Investment Strategy. This is expected to deliver a wide range of economic benefits to the area within the red line boundary as outlined in this report. Additional local revenue will be created as a direct result of the MDC creating additional business rates expected to be £3.7m pa and Council Tax revenues of £1.2m pa. In addition, further investment will be made available through the MDC earmarked for Middlesbrough of an initial £18m in total, which would not otherwise be available. As the current value of the assets requested for transfer is £14.7m then the business case for doing so would satisfy the Council's duty to observe Best Consideration.

### *Business Rates*

74. The potential for the MDC to grant Business Rates relief for new developments wouldn't affect the Council directly as the rates would be unlikely to exist without the MDC investment. Any loss experienced due to relief offered against existing rates would also be recovered from the MDC. The proposals wouldn't therefore disadvantage the Council, and should provide benefit in the longer term as the rates generated by additional development triggered by the MDC would come to the Council.

### *Planning Fees*

75. Fee income generated through major town centre developments would normally be collected by the Council, but in future would be retained by the MDC. This could potentially be seen as having a negative effect on the Council's overall financial position, but the number of major developments that would take place in future without the investment of the MDC in future is highly questionable. The Council would however retain the fees from non-strategic activity in the town centre & Middlehaven, and for all activity across the rest of the town.

## Actions to be taken to implement the recommended decision(s)

| Action  | Responsible Officer      | Deadline                       |
|---|--------------------------|--------------------------------|
| <a href="#">Submission of consultation response</a> | Director of Regeneration | February 27 <sup>th</sup> 2023 |

## Appendices

|   |  |
|---|--|
| 1 | Council Response to August 2022 Consultation |
| 2 | MDC Boundary                                 |
| 3 | Draft Constitution As At 16/02/23            |
| 4 | Asset Map                                    |