



THE POLICE & CRIME COMMISSIONER FOR CLEVELAND

DECISION RECORD FORM

REQUEST: For PCC Approval.

Title: Signing of Sales Agreement for Ladgate Lane

The request for this decision is made further to Decision Record 05-2014 dated 22nd January 2014 and Decision Record 44-2015 dated 30th July 2014 in relation to the Sale of Ladgate Lane and the Community Safety Hub.

The negotiations for the Sales Agreement for Ladgate Lane are now finalised and documented. The Sales Agreement is now ready for signature. The following set of documents need the PCCs approval for authorisation for signature to enable the sale to take place: -

- Sale Agreement with Persimmon Homes Limited
- Licence for a Compound to be stored at the Site on Ladgate Lane
- Licence for Surveys

The authority to sign the documentation is delegated to the Chief of Staff. Nonetheless, the PCC's statutory officers and the Community Safety Hub Project Board considered it prudent and appropriate to seek the authority of the PCC for executing the sales agreement. The sale of Ladgate Lane site represents a significant transaction for Cleveland Police, the PCC and for the public. The sale provides significant capital receipts to enable investments in a more energy efficient estate, which is fit for purpose for the future of policing in Cleveland and which delivers ongoing reductions in running costs (revenue costs) to better match the PCCs long term financial plans. In particular, the sale provides the basis for the funding arrangements for the Community Safety Hub, a major development which will combine major elements of headquarters provision with flexible multi-agency accommodation as part of the delivery of the PCC's commitment to extending police and pan- public sector cooperation and collaboration.

Persimmon Homes Ltd has advised that they will work closely with local communities, Middlesbrough Council and the PCC to identify opportunities for employment and investment in the economy of the local area.

The PCC will also use the capital receipt of funds to procure the land and construct the Community Safety Hub, in which again the construction provider will be required to provide local employment and investment in the local economies of the Cleveland Police area.

Sale Agreement with Persimmon Homes Limited

The price for the Sales Agreement is in line with the Business Case for the Community Safety Hub and tendered bid from Persimmon Homes Ltd. The sales price for Ladgate Lane site will not be published within this Decision Record due to the commercial sensitivities relating to the timing of this sale and the timing of the tender process for the purchase of the Community Safety Hub. It is recognised that the price will be placed on the public record by the Land Registry in accordance with their processes, following the completion of the transfer of the land. The price will be made available by the PCC in accordance with the Community Safety Hub Project Publication Strategy, which in order to preserve the integrity of the procurement process (and therefore protect public funds) will be strictly not before the conclusion of the tender and agreement for the Community Safety Hub.

The Sales Agreement allows for the sale of Ladgate Lane in six tranches, termed a Phase. The first Phase will transfer to Persimmon Homes Ltd once the conditions within the Sales Agreement are met.

Each Phase would then transfer to Persimmon Homes Ltd on each anniversary of the first Phase being achieved. Payments based on the size of each Phase, will be made by Persimmon Homes Ltd to the Office of the PCC for Cleveland. The land element associated with each Phase is of relatively similar size.

The three main Conditions that need to be met by Persimmon Homes Ltd to deliver Phase One completion are: -

- The Planning Condition - Securing of detailed planning permission from Middlesbrough Council.
Note: Outline planning permission is already in place
- Procuring of Title Indemnity Insurance
- Agreeing of Easement for Northumbria Water Waterpipe

Once the Sales Agreement is signed, the PCC and Persimmon Homes Ltd will enter into a 'conditional' contract. The agreement will become 'unconditional' once the above Conditions are satisfied. Currently, it is estimated that all these Conditions will take around six months to resolve. The main driver for this is the Planning Condition.

The Planning Condition needs to be concluded within a maximum of 18 months of signing the Sales Agreement. If the Planning Condition is not met within this time, then either party can terminate the Sales Agreement. Both the PCC and Persimmon Homes Ltd are obliged to conclude matters within this timeframe. Should it not be concluded then the PCC can re-offer the land for sale to other organisations.

When the Conditions are complete the first Phase will be purchased by Persimmon Homes Ltd.

The first two Phases of the sale do not impact upon the operation of the current Police Headquarters building. Phase Three (the transfer of ownership within two and half years from signing the Sales Agreement), requires the PCC and Chief Constable to ensure vacant possession of the building.

The requirement to deliver vacant possession is built into the project for the Community Safety Hub and is managed by the Board for that project. The Community Safety Hub Project Board is jointly chaired by the Chief of Staff for the PCC and the Deputy Chief Constable of Cleveland Police.

Once Phase Three is concluded, then Phases Four, Five and Six can be transferred and paid for by Persimmon Homes Ltd on each anniversary, or brought forward should Persimmon Homes Ltd desire it.

The final phase would be complete on the 5th anniversary date of Phase One. This is currently estimated to be Autumn 2020.

Further Information

The Commissioner and the Chief Constable continue to operate statutory Publication Schemes, and have adopted a Publication Strategy for the Project, which set out the conditions and timing for the publication of specific documentation and details during and after the project. For example, it would not be commercially sensible to publish details of the full budget for the project before finalising the selection process for providers. The aim is to deliver to the public the maximum degree of openness and transparency whilst respecting the financial, operational and legal sensitivity of specific information and documentation.

The following document is provided to the PCC for Cleveland to support this Decision Record, but is subject to that Publication Strategy: -

- Summary of Sales Agreement for Ladgate Lane

Decision:

The PCC is asked to give specific permission on this occasion for the Chief of Staff to sign the following:

1. Sales Agreement for Ladgate Lane
2. Licence for a Compound to be stored at the Site on Ladgate Lane
3. Licence for Surveys

The PCC is asked to approve that Officers continue to progress the following items:

1. Conclude the contract for the purchase of the land at Hemlington, on which the Community Safety Hub would be built. The final contract and decision will be subject to PCC approval.
2. Conclude the final designs of the Community Safety Hub, tender for a builder to construct the building and finalise contracts to enable this to proceed. The final contract and decision will be subject to PCC approval.
3. Pull together all aspects of the preferred option into a Final Business Case for PCC approval.

The PCC has previously approved a budget of £1,880k for the Community Safety project to date. The PCC is asked to increase this approved budget to £2,150k, which based on the current plans of the project team, would cover the project work to the end of November 2015.

Implications:

Has consideration been taken of the following:	Yes	No	
Financial	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
Legal	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
Equality & Diversity	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
Human Rights	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
Sustainability	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
Risk	<input checked="" type="checkbox"/>	<input type="checkbox"/>	

(If yes please provide further details below)

Decision Required – Supporting Information

Financial Implications: (Must include comments of the PCC's CFO where the decision has financial implications)

One of the underlying principles of this project was that the costs of moving from Ladgate Lane would not exceed the proceeds from the sale of the land at Ladgate Lane and that there should be a reduction in revenue costs as a result. While the proceeds from the sale of the land are the same as previously expected, and as factored into the business case, the costs of the move from Ladgate Lane, whilst still estimates, are now forecasted to exceed the sale proceeds.

The biggest area of uncertainty is the cost of building both the main Community Safety Hub at Hemlington and the separate Data Centre at the same site, which is to be shared with North Yorkshire. Reasonable estimates for these costs are included within the current projected costs for moving to Hemlington however until this work is tendered exact costs won't be known.

It has been over 4 years since this project was originally started and as a result the projected impact of inflation, among many other changes, is expected to result in the expenditure side of this project exceeding the capital receipts from the sale of the Ladgate Lane site. When considering this decision it

would be prudent for the PCC to work on an assumption that the expenditure to move from Ladgate Lane could exceed the proceeds from the sale of Ladgate Lane by as much as £2.5m.

The CSH financial case reviewed by DTZ and supported by the PCCs CFO, has concluded that the running costs of the CSH will be less than those associated with Ladgate Lane. As mentioned in Decision Record 44-2015, after construction and commissioning, the CSH will have a very small requirement in the first 10 years for capital expenditure, in comparison to the £7.6 million that needs to be spent on Ladgate Lane over the same period. In addition, the running costs of the CSH, which is half the size and in more modest grounds, will give rise to an annual saving in revenue costs of at least £200,000 per year.

Costs will continue to be monitored and developed as the project progresses and further updates will be provided to the PCC. The build costs for the Community Safety Hub (CSH), which is a significant element of the expenditure, will be finalised through a procurement exercise. This procurement exercise will be completed during October/November 2015 and a final price for the CSH will be presented to the PCC for agreement.

The 2015/16 Capital Budget approved by the PCC in February 2015 has the capacity to absorb additional expenditure of up to £2.5m without increasing the level of borrowing required in 2015/16 and therefore the PCC could proceed knowing that the likely level of expenditure on this overall project is affordable within current plans.

It is important to note that the PCC is not being asked to approve that this project can spend this £2.5m, but given the interdependencies between the sale of the land at Ladgate Lane and the building of a new Community Safety Hub it is important that the PCC makes the decision to sell the land knowing the current forecast levels of expenditure of its replacement.

By agreeing to increase the current budget available for the project by £270k, to £2,150k, the PCC will be increasing the amount at risk should the project to build the Community Safety Hub at Hemlington not proceed.

Legal Implications: (Must include comments of the Monitoring Officer where the decision has legal implication)

The PCC will be aware that when Sales Agreement for the sale of Ladgate Lane is signed the PCC is contractually committed to the sale of Ladgate Lane and Persimmon Homes Ltd is contractually committed to its purchase.

Throughout the process of considering options beyond the sale of Ladgate Lane it is important that it is recognised that it would be illegal for the PCC to sell the land at Ladgate Lane and spend the money on Police Officers, Police Staff, PCSO's, and in fact on anything that is not deemed Capital Expenditure. This option therefore cannot be considered and is not a legally allowable option for the PCC to consider.

Legal advice for the Sales Agreement has been provided by DWF LLP and previously Eversheds LLP.

Planning and land sales advice has been provided by GVA Grimley Limited.

Equality and Diversity Implications

The Sales Agreement for Ladgate Lane complies with all legislation, building regulations and planning conditions pertaining to equality and diversity. Persimmon Homes Ltd will work with local authorities to ensure opportunities for employment and economic development are explored.

Human Rights Implications

The principles of human rights are inherent in policing in the UK. The Your Force Your Voice initiative fundamentally supports the principles of human rights and the Community Safety Hub will be a focal point for all.

The PCC is a Living Wage employer and expects contractors and sub-contractors for the CSH to adopt the principles of the Living Wage.

Sustainability Implications

The Sale of Ladgate Lane and Persimmon Homes Ltd plan for the development of the site contribute to the housing, employment and economic needs of the Cleveland area.

Risk Management Implications

Key risks are already referred to in the body of the report.

A full risk register has been developed and is being updated and monitored as part of the project that is overseeing the Sales Agreement and Community Safety Hub project.

OFFICER APPROVAL

Chief Executive

I have been consulted about the decision and confirm that financial, legal, and equalities advice has been taken into account. I am satisfied that this is an appropriate request to be submitted to the Police and Crime Commissioner.

Signed: 

Date: 23 April 2015

Police and Crime Commissioner:

The above request HAS / ~~DOES NOT HAVE~~ my approval.

Signed: 

Date: 23 April 2015