

Committee:	Executive	Agenda Item No.:	8
Date:	3 February 2014	Status	Open
Category	1. Key decision included in Forward Plan 2. Decision within the functions of Executive 3. Part of the Budget and Policy Framework		
Subject:	Development Fund		
Report by:	Commercial Property and Developments Manager Housing Strategy and Enabling Manager		
Other Officers Involved	Executive Director - Operations Buildings and Contracts Manager		
Director	Executive Director - Operations		
Relevant Portfolio Holder	Councillor A. Tomlinson, Portfolio Holder for Regeneration		

#### **RELEVANT CORPORATE AIMS**

CUSTOMER FOCUSED SERVICES – Providing excellent customer focused services

REGENERATION – Developing healthy, prosperous and sustainable communities by ensuring continued use of town centre premises.

REGENERATION – Improve the standard of housing across the district.

SOCIAL INCLUSION – Ensure that housing across the district meets the needs of all residents.

#### **TARGETS**

Develop vibrant town centres and flourishing rural communities.

Deliver £100,000 of New Homes Bonus per annum in the district as part of Local Investment Plan

Maximise the supply of affordable housing in the district and deliver an average of 20 units per annum by March 2015.

#### **VALUE FOR MONEY**

Small investment in Council owned sites to realise the potential value of the site.

## **THE REPORT**

### **Background**

This report outlines a proposal brought forward by Regeneration and Housing Strategy to help the Council make best use of its land assets, and support the emerging growth agenda.

Although the Council knows what land is in its ownership we are currently unable to quantify the most viable use of our land in terms of 'best value'. This makes it challenging for officers and Members to make informed strategic decisions about the use of our land assets, balancing the need to secure the best financial return against wider strategic objectives, such as meeting housing needs, delivery of new affordable housing, and wider economic development and growth outcomes. As a result, the Council struggles to take advantage of funding opportunities, such as those provided by the Homes and Communities Agency, with timescales to access funding rounds often prohibiting the Council from bidding, as sites must already be identified and proven to be deliverable. Furthermore, with the focus shifting towards Local Enterprise Partnerships and their role as funding bodies, the Council must be in a position to prioritise its land assets having identified which, if any, will be used to support growth.

The proposal set out within this report will allow the Council to fully understand the value, viability and opportunities of sites within its ownership, so that we can make informed strategic decisions about their disposal and future use, supporting the delivery of the Council's forthcoming Growth Strategy.

### **ISSUES/OPTIONS FOR CONSIDERATION**

The proposal set out below has two key objectives:

- to allow the Council to gain a detailed understanding of the value and potential value of our land assets; and
- to allow the Council to understand the opportunities and options associated with our land assets.

This proposal is for the creation of a new development fund to 'bring forward' residential, commercial and mixed use sites through Council owned land. The development fund will be used to gain a detailed understanding of the value of our land assets and will provide us with an understanding of the opportunities and options for our sites. This will allow the Council to identify which pieces of land:

- could be disposed of to generate a capital receipt for the Council;

- could be used to help the Council to meet its corporate growth ambitions and wider corporate priorities, such as the delivery of affordable housing; and
- may have development potential but should be retained by the Council until market conditions improve.

The first two of these will normally involve either obtaining outline planning permission prior to disposal, or a conditional sale for the proposed use (subject to Planning). This will raise the value of the land prior to disposal, allowing the Council to realise the true value of the site. Gaining outline planning permission prior to disposal de-risks this element of development, and as such can help encourage developers to invest in sites, supporting the Council's growth ambitions. In some other cases it may be desirable for the Council to fully develop out a site itself, including construction, rather than disposal. This might be the case where the Council is looking to build new Council housing. In instances such as these a separate business case would be required to ensure best value and properly assess risk to the Council.

The development fund will therefore be used to finance two key elements of work:

**Element 1** – this will be a small piece of consultancy work to develop an options appraisal based upon viable uses for the site. This piece of work will include a financial viability assessment based on potential uses and will provide an existing and potential land value, which will be informed by the market. An example of this is included in appendix A. This will form the basis of any recommendation brought forward, which might include: retain; dispose; dispose with planning permission; or use for delivery of affordable housing.

**Element 2** – where disposal of a site is the preferred option, funding will be used to realise the full value of the site as assessed under element 1. This will be spent on consultancy fees to obtain outline planning consent and subsequently raise the land value prior to disposal/development. For the Council to proceed onto this second phase of work there would need to be confidence that the investment under of element 2 would generate significant additional land value to cover the cost to the Council. The example in appendix A outlines the potential uplift this level of investment can generate.

In order to cover the associated costs of each of these elements of work, it is proposed that the Council allocate £70,000 to the development fund from the Transformation Fund. Furthermore, it is requested that any receipt generated as a result of this work is used to 'top-up' the development pot back to £70,000, enabling a rolling programme of sites to be brought forward over a number of years.

## **Governance**

A project team made up of relevant Council Officers from the Growth and Resources Directorates will be responsible for establishing a short list of sites, and developing reports with the relevant consultancy support for consideration by a project board. Procurement of consultants will be through a process agreed with the Joint Executive Director – Operations.

The Project Board will be responsible for deciding which sites are prioritised and supported with the development fund, and for making recommendations to Executive where appropriate. Reports produced by consultants will enter the public domain at determination of the Project Board. It is proposed that at Bolsover the Asset Management Group will assume responsibility as Project Board. This existing group includes key Members and senior offices, but will be reviewed to ensure that membership is appropriate to fulfil this strategic role.

## **Process Overview**

Although each site could differ with regards to the scale of development, proposed use and value, a common process is proposed in Appendix B.

## **IMPLICATIONS**

Financial : As outlined in the report

Legal : Input into the appraisal work for any proposed site with regards ownership, covenants, etc.

Human Resources: None

## **RECOMMENDATION**

1. That £70,000 of Transformation Fund be allocated as a development pot as outlined in the report.
2. That Executive agrees to any receipt delivered through this process being used to 'Top up' the development pot back up to £70,000 to allow for future schemes to be brought forward.
3. That the Executive Director - Operations following consultation with the Portfolio Holder for Regeneration review and implement appropriate membership of the Asset Management Group.

- That the Building and Contracts Manager, with agreement of the Executive Director - Operations and following consultation with the Portfolio Holder for Regeneration, be given delegated authority to appoint consultants for works as identified through the Asset Management Group.

**REASON FOR DECISION TO BE GIVEN IN ACCORDANCE WITH THE CONSTITUTION**

- Develop vibrant town centres and flourishing rural communities.
- Deliver £100,000 of New Homes Bonus per annum in the district as part of Local Investment Plan
- Maximise the supply of affordable housing in the district and deliver an average of 20 units per annum by March 2015.

ATTACHMENTS: Appendix A – Example Project (Not with report, to be circulated at the meeting)

Appendix B – Process Diagram

FILE REFERENCE: None

SOURCE DOCUMENT: None

Appendix A: Land Appraisal – Rood Lane

**To be circulated at the meeting**

Appendix B – Process Diagram

