

This Report will be made public on 15 May 2017

Folkestone

Hythe & Romney Marsh
Shepway District Council



Report Number **C/17/06**

To: Cabinet
Date: 31 May 2017
Status: Non Key Decision
Head of service: Andy Jarrett, Head of Strategic Development Projects
Cabinet Member: David Monk, Leader of the Council, Alan Ewart-James, Cabinet Member for Housing and John Collier, Cabinet Member for the District Economy

Subject: BIGGINSWOOD DEVELOPMENT

SUMMARY: The report provides an update on progress delivering new homes and jobs on a council-owned brownfield site known as Bigginswood in Folkestone. The report outlines the proposed preliminary work and budget necessary to establish a delivery route and associated programme.

REASONS FOR RECOMMENDATIONS:

The scheme will address a corporate plan priority and will provide much needed new homes and jobs in the district.

RECOMMENDATIONS:

1. To receive and note report C/17/06.
2. To note the necessary preliminary work required to undertake detailed delivery planning through to a procurement decision.
3. To note that a further report is brought back to Cabinet when a delivery decision needs to be made. That report will:
 - Detail the issues around finance, risk profile and timelines of each option; and
 - recommend a procurement route.

1 BACKGROUND

- 1.1 Following consultation with the Leader of the Council and the Chairman of Overview and Scrutiny Committee, the Council purchased land at Bigginwood on 21st December 2016 for £1,500,000 to address the corporate plan objective of delivering more homes and jobs in the district. The scheme was purchased with existing planning permission for 77 homes, 54 light industrial units and one office building. A site Location Plan and Masterplan is given in Appendix 1.
- 1.2 The site is a former brickworks site and is known to have been a receptor for waste. It has been vacant for at least 20 years and been allocated for employment development in the Council's local plans for at least 10 years. However, the costs of remediating the site and low commercial rents have meant that the proposition has not proved attractive to the private sector to deliver the whole site for employment. In 2014 planning permission was therefore granted for mixed use development allowing residential use to provide a cross subsidy to support the development of employment uses.
- 1.3 Reserved Matters remain outstanding and officers are undertaking works that are necessary to comply by the deadline of August 2017.
- 1.4 Discussions are ongoing with the Homes & Communities Agency about the potential of this site to be considered as part of the Government's Accelerated Construction programme. An initial expression of interest was submitted on 23rd March 2017 and we expect further discussions after the General Election. More information on the proposed HCA programme, which offers potential grant funding to support remediation and other development costs, is available at:
<https://www.gov.uk/government/publications/accelerated-construction-local-authorities-expressions-of-interest>.
- 1.5 Discussions will continue with potential end-users of the business space to gauge and stimulate market interest. The scheme is also being promoted to relevant partners such as the East Kent Spatial Development Company (EKSDC) who may also be a potential investor.
- 1.6 Officers have met with the relevant ward Councillors (Cllrs. Gane, Collier and Robinson) to brief them on work in-hand. Regular updates will continue to be provided.

2 OBJECTIVES

- 2.1 The reason for purchasing the site is to help meet the Council's vision:

Investing for the next generation – delivering more of what matters

And to implement proposals to meet key objectives of the Council's Corporate Plan 2017-2020 particularly:

- *More Jobs - to boost the local economy and increase job opportunities through the development of a major new flexible and quality employment offer;*
- *More Homes – to enable the construction of 77 new homes including 23 affordable homes;*
- *Appearance Matters - support an attractive and vibrant place to live by ridding the area of a derelict and contaminated site and by creating new public open space.*
- *Financial Stability – to deliver value for money.*

2.2 The proposal, at this stage, is to undertake detailed preliminary preparatory work to enable the development of 77 houses with the Council potentially retaining 23 affordable homes to be managed by East Kent Housing, and for the Council to retain the serviced employment land for 54 light industrial units and one office building to secure an ongoing income stream. Beyond this there are also various options to consider for disposing of the remaining 54 homes which will also be the subject of further analysis.

2.3 Subject to cabinet agreeing this report officers will:

- explore in more detail the potential for the Council to retain the employment land and to promote its development to secure long term rental income from the commercial space;
- assess the scope for the Council's Regeneration & Housing Company (Opportunitas) to acquire a number of the remaining 54 homes for market housing for rent;
- Consider the appropriate tenure and potential disposal route of the remaining homes; and
- Test with the market the appetite for delivering the overall scheme, or parts thereof.

3 CURRENT ASSUMPTIONS AND PROGRESS

3.1 Procurement options for delivering the site require specialist advice. An options appraisal to determine which route will deliver best value for the Council against its objectives for the site is required. Currently, the options to be explored are:

1. Council acting a developer – building houses and employment space for sale or rent.
2. Selling the site in its current state to a private developer to construct the housing units and commercial serviced plots, with a commitment from the Council to acquire a number of housing units (e.g. the 23 affordable units for the HRA plus a number of units from Opportunitas for private market rent). Allow the developer to dispose of the remaining housing units.
3. The Council seeks to 'de-risk' the site in order to attract the private sector by managing and funding the remediation costs and by providing services to the whole site, and then selling or licencing the

site in a 'development ready' state to a developer to build out as described in option 2 above.

This detailed options work will give a more detailed understanding prior to the delivery decision being made by Cabinet.

3.2 A budget to progress the necessary preliminary work is attached in Appendix 2.

3.3 A further report will be presented to Cabinet for decision once the preferred delivery option is ready to be recommended.

4 RISK MANAGEMENT ISSUES

4.1 The following risk management areas are highlighted

Risk	Seriousness	Likelihood	Preventative Action
Failure to deliver corporate plan objectives	High	Low	The Council has acquired the site with planning and detailed delivery work will be undertaken.
Detailed analysis shows the site is not financially viable	High	Low	Expert advice on remediation issues and associated costs have already been sought as part of acquisition due diligence.
Lack of demand for commercial space	High	Low	External advice suggests market demand for flexible quality commercial units. Further testing will be undertaken as part of the proposed planning works.
Lack of developer interest	High	Low	Soft market testing suggests demand
Value for money not realised	Moderate	Medium	Detailed financial appraisal to be undertaken to directly influence delivery decision.

5 LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

5.1 Legal Officer's comments:

There are no legal issues arising directly out of this Report however legal will be involved where appropriate throughout the project

5.2 Finance Officer's Comments

The estimated budget detailed in appendix 2 shows that a budget of £131k is required in 2017/18 for necessary works to progress the project at this stage. The Biggins Wood project is split 70% to the General Fund and 30% to the HRA and therefore, the budgets required are £91.7k and £39.3k respectively. Within the HRA approved budget for 2017/18 there is already a relevant budget. The General Fund element can be met from the Corporate Property Developments Projects budget contained within the approved capital programme.

6 DIVERSITIES AND EQUALITIES IMPLICATIONS

6.1 There are no diversity or equalities issues arising from this report.

7 CONTACT OFFICERS AND BACKGROUND DOCUMENTS

Councillors with any questions arising out of this report should contact the following officer prior to the meeting

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The following background documents have been relied upon in the preparation of this report:

Appendices:
Appendix 1: Site Location Plan and Masterplan
Appendix 2: Estimated Budget 17/18