



REPORT OF:	HEAD OF PROPERTY
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TO:	EXECUTIVE
DATE:	15 October 2015
EXECUTIVE MEMBER:	Councillor Mrs Natalie Bramhall

KEY DECISION REQUIRED:	YES
WARD (S) AFFECTED:	HORLEY - East & Central

SUBJECT:	DEVELOPMENT OF LAND TO SOUTH OF HORLEY: PROPOSAL TO ENTER INTO A JOINT VENTURE
RECOMMENDATIONS:	
<p>(i) That the Head of Property be authorised, in consultation with the Leader of the Council, Deputy Leader of the Council, Executive Member for Finance and Executive Member for Property and Regeneration to finalise and agree terms and enter into binding legal agreements with landowners to form Joint Venture Limited Liability Partnerships (LLP) or Companies (New Co) to bring forward for Planning and subsequently development the Employment land in Horley on the land as shown at Annex 1, and subject to the key stage sign off set out in this report;</p> <p>(ii) The Chief Executive and Head of Property be appointed the Council's representatives to the LLP/New Co, and in accordance with the delegations herein to give all necessary instructions to the LLP/New Co to progress development of the employment land, subject to key stage sign off set out in this report;</p> <p>(iii) The Head of Finance be authorised, in consultation with the Head of Property and the Leader of the Council, Deputy Leader of the Council, Executive Member for Finance and Executive Member for Property and Regeneration, to make the necessary arrangements to finance stage 1 and stage 2 costs, as set out in Annex 4 (in the Exempt part of the agenda), through the Limited Liability Partnership or Company, subject to suitable security arrangements being made within the LLP/Company for the funding, and subject to the key stage sign off set out in this report;</p> <p>(iv) The Head of Finance be authorised to make the necessary amendment to the Council's capital plan to fund stage 1 and stage 2 costs;</p> <p>(v) Authorisation is given to the Head of Finance to provide management accounting services to the Joint Venture vehicle and to make suitable arrangements for statutory accounting and reporting requirements;</p>	

- (vi) Authorisation is given to the Head of Property as Council appointed representative, in consultation with the Head of Finance, Leader of the Council, Deputy Leader of the Council, Executive Member for Finance and Executive Member for Property and Regeneration, to permit the LLP/New Co to make the necessary consultancy and contractor appointments to progress the project and submit a Planning Application, subject to the approved budget as set out in **Annex 4** (in the Exempt part of the agenda).
- (vii) Authorisation is given to the Head of Property as the Councils representative to the property vehicle in consultation with the Leader of the Council, Deputy Leader of the Council, Executive Member for Finance and Executive Member for Property and Regeneration, to instruct the LLP/New Co to enter into necessary agreements with the Council and other public sector organisations to bring forward of development on the Horley Employment Land;
- (viii) Authorisation is given to the Head of Property as the Council's representative to the property vehicle in consultation with the Leader of the Council, Deputy Leader of the Council, Executive Member for Finance and Executive Member for Property and Regeneration, to instruct the LLP/New Co to negotiate, agree and enter into Agreement for Leases and Leases with commercial organisations for pre lets subject to the key stage sign off set out in this report.
- (ix) Authorisation is given to the Head of Property as Council representative to the property vehicle, in consultation with the Leader of the Council, Deputy Leader of the Council, Executive Member for Finance and Executive Member for Property and Regeneration, to instruct the LLP/New Co to acquire land by Private Treaty. A list of site owners are set out **Annex 5** (in the Exempt part of the agenda), and is subject to key stage sign off set out in this report;
- (x) Authorisation is given to the Head of Property as Council representative to the property vehicle in consultation with the Leader of the Council, Deputy Leader of the Council, Executive Member for Finance and Executive Member for Property and Regeneration, to authorise the LLP/New Co to enter into an indemnity with the Council with regard to CPO costs incurred in land assembly for the development of the Employment Land in Horley;
- (xi) Authorisation is given to the Head of Property as Council representative to the property vehicle, in consultation with the Leader of the Council, Deputy Leader of the Council, Executive Member for Finance and Executive Member for Property and Regeneration, to instruct the LLP/New Co to appoint the necessary Consultants and Contractors to prepare the necessary documentation to obtain competitive construction tenders, subject to key stage sign off set out in this report;
- (xii) Authorisation is given to the Head of Property as Council representative to the property vehicle, in consultation with the Leader of the Council, Deputy Leader of the Council, Executive Member for Finance and Executive Member for Property and Regeneration, to instruct the LLP/New Co to agree and sign construction contracts subject to key stage sign off set out in this report.

REASONS FOR RECOMMENDATIONS:

Reigate & Banstead Borough Council's Five Year Plan (2015-2020) identifies a number of objectives for the Council, including 'to create new jobs for our residents' benefit and to ensure there is a resilient, vibrant economy'. This will be achieved through a number of measures including promoting the Borough as a place to do business, securing resources to maintain and improve business related infrastructure, and working with partners and businesses to ensure that benefits of wider economic growth are enjoyed in the Borough.

Policy CS5 of the Council's adopted Core Strategy (2014) confirms the Council will promote and support continued sustainable economic prosperity and regeneration in the Borough. This will include planning for a range of types and sizes of employment premises to cater for the needs of established, growing and start-up businesses; and ensuring sufficient flexibility to meet their changing needs and attract new businesses.

The Borough, and particularly the southern part, falls at the heart of the Gatwick Diamond sub-region. However it has been recognised that there are a number of issues inhibiting the economic growth of the Diamond¹ (and therefore Reigate & Banstead) including a lack of employment land for new development and inward investment, and a poor quality of commercial and industrial stock which is no longer fit for business use. Local experience points to existing business, and new business looking to invest in the Borough, being unable to find units of a scale suitable for their needs, and therefore locating elsewhere, and larger units that are available not being of the quality sought, or in easily accessible locations.

The Council is now progressing work on its Development Management Plan. As part of this work, the need and opportunities for new employment provision within the southern part of the Borough is being explored. This is highlighting an opportunity for new larger scale (strategic) employment provision, and suggests that the most realistic location for such provision lies directly to the south of Horley, within close proximity of the town centre and offering the potential for direct access to the strategic road network.

The Employment Land in Horley represents a significant opportunity for the Council to secure the delivery of a potentially leading business park in the South East of England, which will support the economic, social and environmental benefits to the residents of the Borough in support of the objectives outlined above.

A significant amount of due diligence has been undertaken which indicates the proposed delivery vehicle is viable and the partners for delivery are credible.

The opportunity will allow this Council to work with other private and public sector landowners to bring forward the opportunity in an effective and proactive manner.

EXECUTIVE SUMMARY:

Both the Council's Corporate Plan and adopted Core Strategy recognise the importance of promoting the Borough as a place to do business and providing commercially attractive premises and business infrastructure to deliver economic benefits for the Borough and its residents, through increased investment and the provision of jobs.

Local experience points to a lack of highly accessible, high quality, large scale business

¹ Coast to Capital Strategic Economic Plan March 2014

space: work carried out to inform the preparation of the Council's Development Management Plan has identified that the most realistic location for such provision lies to the south of Horley.

There is a need to support plans to promote economic prosperity in the Borough. This employment site is anticipated to deliver significant employment opportunities. The recommendations in this report will facilitate this.

The Council has been approached and subsequently entered into negotiations with some of the local Land Owners to enter into a Joint Venture LLP/Property Company. This will give the Council a substantial pro rata stake in a company that proposes to bring forward viable development which will support the economic, social and environmental wellbeing of the Borough. This report seeks the Council's authority to enter into the LLP/New Co to enable the project to come forward quickly.

The Council's involvement in the project will assist with the commercial pace and deliverability of the project and is an example of the public and private sector working in partnership.

The perceived best way to work in Partnership is for the venture to be secured by a partners agreement/shareholders agreement set within the corporate envelope of a LLP/New Co. The agreements will contain key stage sign off of the partners/shareholders, opportunities for partners/shareholders to leave at key stages and guarantees for Council funds that are invested into the vehicle. Details of the potential JV partners are set out in the Exempt report in Part 2 of the agenda.

Risk is and will be carefully managed aligned with key stage sign off by a Strategic Property Advisory Group (SPAG) that has been established to provide a guidance and direction to the progress of the many property related matters being taken forward by the Council. This group comprises the Leader of the Council, the Deputy Leader of the Council, the Portfolio Holder for Finance, the Portfolio Holder for Property and Regeneration, the Chief Executive, the Deputy Chief Executive, Head of Finance, Head of Legal, Head of Property, Head of Places and Planning and Head of Corporate Policy, Performance and Parking.

Executive has authority to approve the above recommendations subject to recommendation (iv) which requires the approval of full Council.

STATUTORY POWERS

1. The Council has no statutory obligation to undertake this work but has general powers of competence under Section 1 of the Localism Act 2011 to undertake any activity which an individual with full capacity may undertake. The Local Government Act 2000 contains powers to promote the well – being of the Borough including the promotion or improvement of the economic well-being of the area; the promotion or improvement of the social well-being of the area, and the promotion or improvement of the environmental well-being of the area.

BACKGROUND

2. Reigate & Banstead Borough Council's Five Year Plan (2015-2020) identifies a number of objectives for the Council, including 'to create new jobs for our residents

benefit and to ensure there is a resilient, vibrant economy'. This will be achieved through a number of measures including promoting the Borough as a place to do business, securing resources to maintain and improve business related infrastructure, and working with partners and businesses to ensure that benefits of wider economic growth are enjoyed in the Borough.

3. Policy CS5 of the Council's adopted Core Strategy (2014) confirms the Council will promote and support continued sustainable economic prosperity and regeneration in the Borough. This will include planning for a range of types and sizes of employment premises to cater for the needs of established, growing and start-up businesses; and ensuring sufficient flexibility to meet their changing needs and attract new businesses.
 4. The Borough, and particularly the southern part, falls at the heart of the Gatwick Diamond sub-region. However it has been recognised that there are a number of issues inhibiting the economic growth of the Diamond² (and therefore Reigate & Banstead) including a lack of employment land for new development and inward investment, and a poor quality of commercial and industrial stock which is no longer fit for business use. Local experience points to existing business, and new business looking to invest in the Borough, being unable to find units of a scale suitable for their needs, and therefore locating elsewhere, and larger units that are available not being of the quality sought, or in easily accessible locations.
 5. The Council is now progressing work on its Development Management Plan. As part of this work, the need and opportunities for new employment provision within the southern part of the Borough is being explored. This is highlighting an opportunity for new larger scale (strategic) employment provision, and suggests that the most realistic location for such provision lies directly to the south of Horley, within close proximity of the town centre and offering the potential for direct access to the strategic road network.
 6. The current Borough Local Plan includes the identified area of land as being within the Rural Surrounds of Horley, and partially covered by an allocation for public open space and the Gatwick Open Setting designation.
 7. The Council has been approached and been in negotiations with private and public sector land owners in the area to bring forward the land shown in Appendix 1 for employment use by the creation of a business park for the economic, environmental and social benefit of the residents of the Borough. Negotiations have evolved resulting in the recommendations in this report which will facilitate a public/private sector partnership to bring forward the land in phases. A copy of the proposed Heads of Terms are in appendix 3.
 8. The steps and key stage sign off set out in this report means the commercial development risks associated with this project will be managed through key stage sign off.
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ISSUES

Employment Land Horley

9. The extent of the site that has been identified by the Council for development of a new employment site is shown edged red on the attached plan.
10. The proposed Heads of Terms for the Joint Venture are set out in the confidential appendices together with the parties with whom discussions are being held. Given the commercial sensitivity around the development, full details are not being placed in the public domain at this point. Once the discussions have concluded then further information can be made public.
11. The site currently comprises fields, farms, residential and outbuildings and is in multiple ownerships. A list of owners is set out in confidential Appendix 6.
12. Development envisaged would be a business park within use class order B1 of the Town and Country Planning Act 1990 (as amended). An outline Planning Application will be brought forward initially.
13. The project will be managed with the following key stage sign off;
 - Stage 1 – Initial viability comprising market research, planning and development appraisals. These reports have been completed and are part of the confidential appendix 2.
 - Stage 2 – Development of a site master plan and outline Planning Application by the Joint Venture Partners. Continued updating of the development appraisals. Continued liaison with potential tenants and the preparation of a detailed cost master plan. Costs associated with this stage are set out in Part 2 of this report.
 - Stage 3 – Subject to proven viability criteria agreement of leases with occupiers, production of a development master plan and design together with obtaining construction tenders. Obtaining reserved matters planning approval(s). Obtaining and securing finance between the development partners for the project, and continued marketing to secure pre lets.
 - Stage 4 – Tenders received, lettings secured and progression of the construction project. Construction is likely to be in phases.

Each stage will involve continued dialogue and presentation of development appraisals with the Council's Executive and Strategic Property Advisory Group.

OPTIONS

14. There are two options:
 - (a) Do nothing and allow market forces alone to determine whether the land is developed in support of our local prosperity aspirations. This option is not recommended, the Council's involvement directly in the project will keep a high degree of control.
 - (b) To confirm the Council's willingness to go into a Joint Venture. This is the recommended option. The Council would be involved in the delivery of a significant business park in the area with the associated benefits to the local economy and for residents.

LEGAL IMPLICATIONS

15. There are a number of legal implications in considering a venture of this scale as set out below.
16. **Powers of the Council to enter into this agreement.** The Council has broad powers to enter partnerships with others to develop schemes for the improvement of the Borough. In this case it is working with those who have a similar interest in the development of the land and who already have a stake in the land. It is entirely permissible to work with partners in this way subject to the Council being satisfied that the selection of partners is a reasonable decision taking into account all relevant circumstances such as the ability of the partners to meet their obligations through good due diligence.
17. **Funding of the agreement.** The Council has wide powers to fund such a project through a JV through its own reserves or debt capital. Depending on the choice of funding the Council will take the necessary steps to secure any additional permissions for expenditure through full Council.
18. **Procurement.** The JV vehicle may or may not be subject to Public Procurement Contracts Regulations depending on the final structure and funding. This matter will be kept under close review to ensure compliance where this is required.
19. **CPO.** In such a large site the Council may have to use compulsory powers to acquire land where negotiations on a private treaty sale/purchase fail. In this case it is a matter for the Council to assess at a later date whether it will use its powers. This will be dependant on a number of factors and will be subject to further reports to Executive in due course. The JV may be able to underwrite the Council's expenditure in pursuing a CPO which is why an underwrite agreement is part of the delegations above.

FINANCIAL IMPLICATIONS

20. The costs associated with stage 1 and stage 2 are set out in the Exempt report in Part 2 of the agenda. Stages 3 and 4 would be the subject of further reports and authority by the Executive.
21. Council current financial reserves can be used to finance Stages 1 and 2. Stages 3 and 4 will be evaluated as to whether the Council will choose to finance the project through the Public Loan Works Board, or the financial markets.
22. There would be a requirement for internal officer time in managing the project. Officers' time would be charged to the LLP/New Co.

RISK MANAGEMENT

23. The project development risks are the usual planning, development and construction risks. The Council has considerable expertise in development projects and in recent years delivered many multi million pound construction and development projects and land sales. This aligned with the expertise of the potential joint venture partners is considered to be a strong team.

Planning risks - The planning context for this site is currently evolving and as such a number of potential issues and matters will need to be fully considered and robustly addressed through the preparation and consideration of planning application(s).

Development risks – This relates to potential changes in development costs, yield profiles, the property investment market, rents and occupier demand. These risks will be carefully managed through key stage sign off, pre lets with occupiers and independent consultants cost plans which will be monitored and reported on as the project progresses. This key stage sign off and the LLP/Co set up will mean that the Council will be able to carefully manage and oversee the development sign off within agreed criteria.

24. The project would be managed by key stage sign off and would allow the Council to leave the LLP/New Co at key stages and recover its costs. The most likely buyers of the Councils share in such circumstances would be the other partners of shareholders of the LLP/New Co.

EQUALITIES IMPLICATIONS

25. A full Equalities Impact Assessment will be undertaken, as part of the preparatory work, to identify any equalities issues that may be associated with the use and occupation of the site. The Council is aware that the use of CPO can impinge on the rights of individuals under the Human Rights Act. Full regard will be paid to this in the development of any proposals and in negotiations with land owners.

OTHER IMPLICATIONS

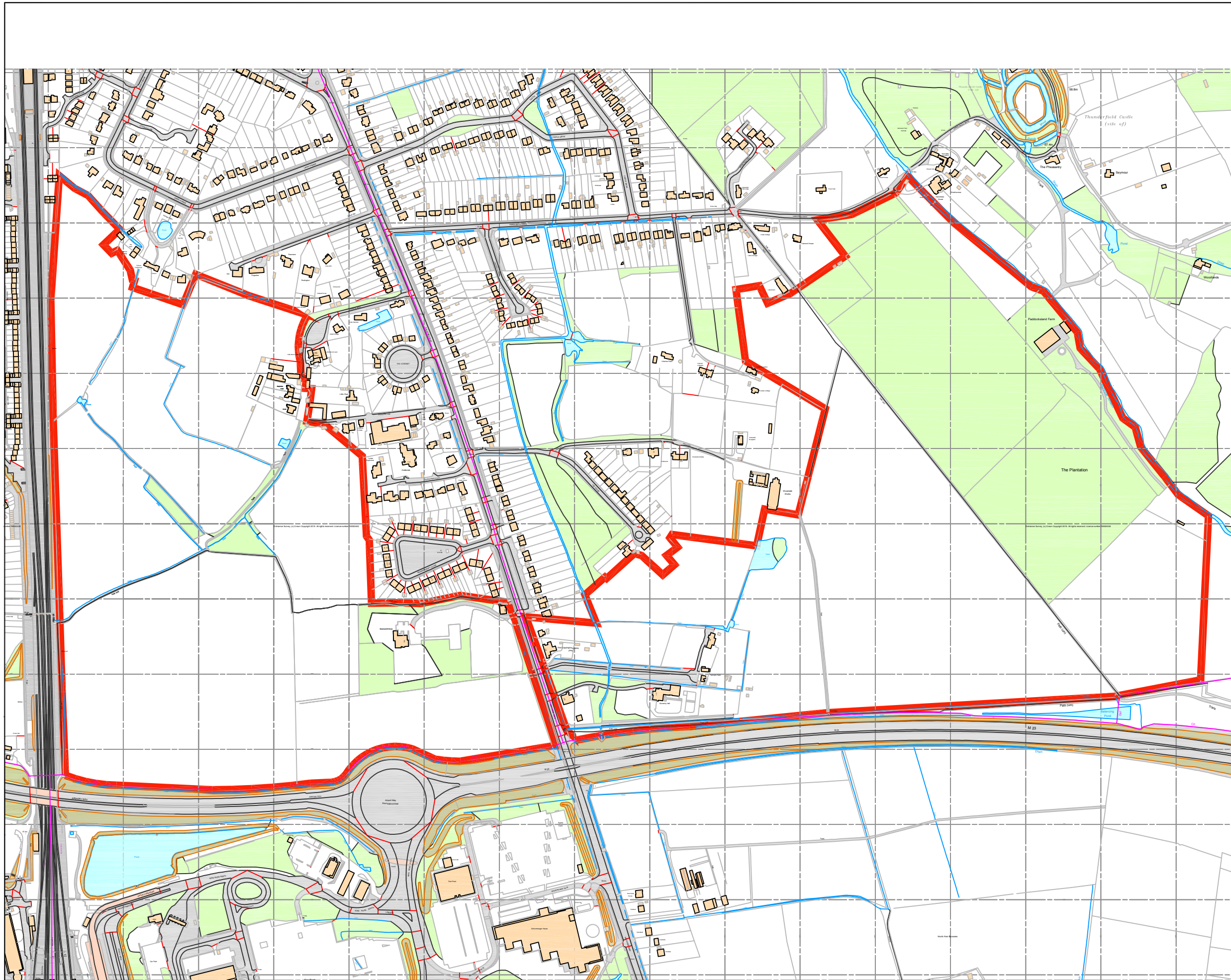
26. None

CONSULTATION

27. The Executive Members for Regeneration, Property and Finance, the Horley Ward Members, and officers in Property, Planning, Policy and Regeneration have received verbal or written briefings about this matter from the Head of Property in addition to the whole of Council's Management Team.

Annexes

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| Annex 1 | Redline site plan. |
| Annex 2 | Viability study (provided in the Exempt part of the agenda) |
| Annex 3 | Draft Heads of Terms with the joint venture partners (provided in the Exempt part of the agenda) |
| Annex 4 | Stage 1 costs (provided in the Exempt part of the agenda) |
| Annex 5 | List of owners (provided in the Exempt part of the agenda) |
| Annex 6 | Details of Developer and proposed Joint Venture set up (provided in the Exempt part of the agenda) |



NOTES:
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WORK IN PROGRESS
INFORMATION ONLY
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No.	Date	Comment	Drawn	Chk'd
Revisions				

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PRELIMINARY

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Project
**AIRPORT CITY
 GATWICK**

Drawing Title
CPO REDLINE BOUNDARY

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A10980	E 0001	P2