



REPORT OF:	Head of Property
AUTHOR:	JOHN REED
TELEPHONE:	01737 276571
E-MAIL:	John.Reed@reigate-banstead.gov.uk
TO:	EXECUTIVE
DATE:	25 JANUARY 2018
EXECUTIVE MEMBER:	COUNCILLOR MRS N. BRAMHALL

KEY DECISION REQUIRED:	YES
WARD (S) AFFECTED:	HORLEY

SUBJECT:	REPORT ON PROGRESS OF THE HORLEY BUSINESS PARK AND REQUEST FOR ADDITIONAL WORKING CAPITAL.
-----------------	---

RECOMMENDATION:

1. Executive notes progress on the land assembly to facilitate the development of the Horley Business Park set out in this report and in the report contained in the Executive's Part 2 (Exempt information) report.
2. Executive notes that the Horley Business Park Development LLP (LLP) will be endeavouring to finalise and agree Heads of Terms with Surrey County Council to allow them to enter the Joint Venture and Special Purpose Vehicle (Horley Business Park Development LLP) on terms outlined in the Executive Part 2 (Exempt information) report. Executive further notes that the LLP will exchange and complete contracts on the finalised terms agreed. Finalised terms will also require the approval Surrey County Council.
3. 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 the Executive Member for Property and Acquisitions, to make arrangements to extend the loan facility to increase the working capital to the Joint Venture Limited Liability Partnership to facilitate the making of a Planning Application, noting that costs are recoverable as set out in the report at Part 2 (in the exempt part of the Agenda).

EXECUTIVE SUMMARY

This report provides an update about the work of the Council's Joint Venture, Horley Business Park Development LLP, to bring forward a new business park in Horley.

The purpose of this report is for the Executive;

1. To note progress on land assembly, progress and status of negotiations with Surrey County Council, site allocation and promotion of the site within the Councils proposed Development Management Plan, and master planning relating to the development.
2. Authorise an increase in the working capital through an extension to the existing loan facility to Horley Business Park Development LLP to enable the Joint Venture to bring forward a Planning Application for the Development.

The Executive agreed on the 15th October 2015 to form a Joint Venture Special Purpose Vehicle with the ambitious plan of bringing forward a business park of a strategic scale in Horley. The Joint Venture has been formed and is operating within the parameters of the original Executive report. Since the formation of the Joint Venture significant progress has been made, which is outlined in this report.

Bringing forward the Business Park will contribute to the key Five Year Plan objectives of creating new jobs for our residents' benefit and ensuring that there is a resilient, vibrant economy, as well as contributing to the longer term financial sustainability of the Council. Delivering the Business Park will create significant job opportunities and result in significant economic benefits to Horley, the Borough as a whole and the wider Gatwick Diamond area.

Land acquisition: Surrey County Council is a major landowner within the site identified for the Business Park and public park within the draft Development Management Plan approved for publication and consultation by Full Council in December as the "Regulation 19" submission. The Joint Venture has been negotiating with Surrey County Council, and draft Heads of Terms are close to being agreed (and can be found in the exempt Part 2 part of this agenda along with as a site plan describing the site).

Agreeing terms with Surrey County Council is an important part of the land assembly. Securing the land under contract will mean the Council and its joint venture partner will have secured the three parcels of land required for the proposed business park. The Executive has already given authority (subject to conditions) for the LLP to agree terms with land owners and subsequently for the LLP to enter into conditional contracts, and is therefore asked to note progress in this regard and that the LLP will endeavour to finalise terms and contract with Surrey County Council for them to enter the Joint Venture. Allowing Surrey County Council to become the a one third Member of the Joint Venture is subject to conditions which are set out in the proposed Heads of Terms in the exempt information being considered in Part 2 of this agenda.

Site promotion: The Business Park site is proposed for allocation in the draft Development Management Plan. This allocation seeks to establish the principle of the use of a greenfield site for employment development, and also provides some more detailed guidance as to the type, form and layout of development. Work is ongoing by the Joint Venture to promote the site and prepare a planning application. Details around the promotion of the development by the Joint Venture is set out in the report at Part 2 (in the exempt part of the agenda)

Working capital: To enable the site promotion work outlined above to continue additional working capital is required. This report therefore seeks Executive agreement for an extension of the current loan facility as set out in the Part 2 report.

The Executive has authority to determine the recommendations 1 and 2. Recommendation 3 is subject to full Council approval.

STATUTORY POWERS

1. Section 2 of the *Local Government Act 2000* gives local authorities the power to do anything in the furtherance of the economic, social or environmental wellbeing of their area. The exercise of that power is specifically linked, in section 4 of the Act, to works required in furtherance of community and corporate plan objectives.

BACKGROUND

2. In October 2015, the Council agreed to enter into a Joint Venture to bring forward a new Business Park in Horley. The Joint Venture was formed to further the economic, social and environmental well-being of the area in line with the 2000 Act.
3. The Council's Five Year Plan identifies property investment and development as one of its key corporate objectives to help secure the longer term financial sustainability of the Council. The Five Year Plan also sets out the Council's key objectives with relation to economic prosperity, that is to create new jobs for our residents' benefit, and to ensure there is a resilient, vibrant economy. The Business Park is anticipated to create significant number of jobs and bring economic benefits to Horley, the rest of the Borough, and the wider Gatwick Diamond area.
4. The draft Development Management Plan, approved for publication and 'Regulation 19' consultation by the Council in December, includes proposals to allocate land to the west of the Balcombe Road for a new employment development and new public park.

KEY INFORMATION

Update on land acquisition

5. In the Executive report in October 2015, the Council resolved to use – if required - its statutory Compulsory Purchase Powers to acquire the land needed to bring forward the development. Since it was established, the Joint Venture has been working on land assembly as a key part of the project delivery.
6. Although the Executive report on the 15th October 2015 gave authority (subject to conditions) for the LLP to agree terms with land owners and subsequently for the LLP to enter into conditional contracts, the LLP Joint Venture are of the view that an update to the Executive at this stage is appropriate to document the progress of the Joint Venture in relation to land acquisition.
7. An update on progress in relation to the acquisition of Taylor Wimpey land is included elsewhere on the Executive's agenda.
8. Surrey County Council is the other major land owner within the area being promoted in the Council's Development Management Plan for the Business Park.
9. The Council, along with its Joint Venture Partner, has been negotiating with Surrey County Council as part of its strategy for land assembly, and the LLP's

Executive Board Members now are finalising and agreeing amendments and terms to permit Surrey County Council to enter the Joint Venture as a 1/3 Partner. Cabinet at Surrey County Council will also need to approve this transaction separately.

10. Agreeing and finalising the terms set out in Part 2 (in the exempt part of the Agenda) would be a significant step forward towards the delivery of the Business Park. Subject to this, and the agreement with Taylor Wimpey reported elsewhere on this agenda, all three pieces of land needed to bring forward the development will be in the ownership of the Council or will be under conditional contract with the Joint Venture vehicle (in which the Council currently owns a 50% stake). The other 50% is owned by Mill Hill Properties Limited 49.9% and Berwick Hill Properties 0.1%.
11. The Council's stake in the Joint Venture would reduce to a 1/3 stake, Surrey County Council would become a 1/3 stake. The remaining interest would be Mill Hill Properties Limited, with Berwick Hill Properties Limited retaining a 0.1% interest as previously. Allowing Surrey County Council to enter the Joint Venture on the terms outlined is considered to further both the aims of the Joint Venture and therefore the aims of the Council in approving the formation of the Joint Venture.

Update on promotional activity

12. As set out in more detail in Part 2 of this report (Exempt information) the Joint Venture is also working to promote the site in the draft Development Management Plan. This will include work on master planning, transport infrastructure and public consultation. In the coming months the Joint Venture will also be considering pre letting opportunities and options and arrangements for future funding of the Business Park.

Working capital

13. This report seeks agreement to authorise further working capital for the continued work in promoting the site in the draft Development Management Plan and also the work in preparing for a Planning Application during 2018. Details of the current funding requirements and assumptions are set out in the Part 2 report (in the exempt part of the agenda).
14. Much of the additional funding required to promote the scheme will be recoverable under the land acquisition agreements currently in negotiation and has therefore been described as working capital.

OPTIONS

15. Option 1: Authorise the Head of Finance (in consultation) to extend the loan facility to increase the amount of working capital required to make a Planning Application as set out in the exempt Part 2 report of this agenda. This is the recommended option and will allow for work towards the delivery of the Business Park (and associated new public park and employment opportunities) to progress.
16. Option 2: Do not authorise the Head of Finance to extend the current loan facility. This option is not recommended as it would mean that work to prepare a planning application could not be continued, or would be delayed while alternative sources of funding are sought.

LEGAL IMPLICATIONS

17. Allowing Surrey County Council to enter the Joint Venture is exempt from the Contract Procedure Rules under paragraph (f) of Appendix A of on page 194 of the Constitution.

FINANCIAL IMPLICATIONS

18. Additional working capital requirements will be funded from the Public Works Loan Board or Commercial Banking sources or the Council's reserves.
19. Allowing Surrey County Council to enter the Joint Venture on the terms set out in this report will result in the Joint Venture securing the necessary land holding to enable it to bring forward the Business Park in Horley in the established Joint Venture vehicle. The terms agreed and set out in the information in the Part 2 report to be considered in Part 2 of this agenda are considered to be commercially acceptable. The land is currently used for grazing under lease to the land owner. This Lease would either need to be terminated or renegotiated if the Business Park and public Park are to come forward. .
20. The provision of additional working capital is not without risk given the conditional nature of the contracts secured and timing of finalising allowing Surrey County Council to enter the Joint Venture. Council officers will look to mitigate the risk, some initial proposals are set out in the Part 2 report.

CONSULTATION

21. The Leader, Deputy Leader and Portfolio Holders for Property and Acquisitions and Finance have been consulted updated in relation to land acquisition progress, promotional activity and the additional request for working capital.

POLICY FRAMEWORK

22. The acquisition of land to deliver the Business Park reflects the aim of the Council's Asset Management Plan to undertake acquisitions, to add to the value of existing asset or to produce a greater financial return than alternative investment options in accordance with the Council's medium-term financial strategy.
23. The site has been identified for allocation in the Regulation 19 version of the Councils published Development Management Plan which was approved for publication and 'Regulation 19' consultation by Full Council in December 2017.

Background papers: None