

To the Chair and Members of Cabinet

STRATEGIC INVESTMENTS

Relevant Cabinet Member(s)	Wards Affected	Key Decision
Cllr Joe Blackham	All	Yes

EXECUTIVE SUMMARY

- 1 This paper seeks approval to proceed with the acquisition of two strategic car parks to further enhance the Council's ability to regenerate the town centre.
- 2 If approved the Council will look to bring forward regeneration proposals for the benefit of the town centre.

EXEMPT REPORT

3. This report is not exempt however, the Appendices to the report are not for publication as they contain details of third party commercial interests, which are exempt under Paragraph 3 of Part 1 of Schedule 12 (a) of the Local Government Act 1972 (as amended), (information relating to the financial or business affairs of any particular person (including the authority holding that information)).

BACKGROUND

- 4 Through the recently published Doncaster Urban Centre Masterplan the Council has identified the need to redevelop and regenerate the town centre. The acquisition of two town centre car parks, that produce an income, would enable the Council to become a strategic land owner and have an ability to invest and improve in the town centre.
- 5 The Council historically divested all its interests in the town centre, however in order for the DUCM to become a reality this policy needs to be reversed. The termination of the Muse agreement and the acquisition of these two car parks, will lead to the Council becoming a significant landowner and investor in the town centre.
- 6 As well as being strategic development sites the two car parks sites also generate an income. If the two car parks were just investments they would also satisfy the Cabinet approved criteria for property investment. See background to Property Investment Fund at 15–17 below.
- 7 The proposal has the support of the Property Investment Fund Board. However, due to the regeneration potential of proposal, the purchase cannot be funded from within the currently approved Property Investment Fund. The

Property Investment Board therefore recommended that the scheme be referred to the Investment and Modernisation Fund due to the clearly identified regeneration benefits. The Property Investment Fund Board met on 21 June 2017 to consider the proposal and gave approval for the funding subject to IMF Board and Cabinet approval of the scheme.

- 8 Within the DUCM are a number of car parks/sites that have been identified for redevelopment purposes and therefore the acquisition two further car parks will help the regeneration of the town centres directly or indirectly. Those sites are as follows;

Council House Car Park - 400 spaces (350 staff car parking and 50 pool cars). Only 350 of these can be accommodated in Civic Quarter MSCP.

Scarborough House - 113 spaces (currently used for staff car parking)

Chamber Road (old girl school site) - 80 spaces

Council House old visitor's car park - 40 spaces for liveried vehicles.

In addition to the above there are, on the other side of town, Chappell Drive and Church Way Car Park that are shown in the Town Centre Master Plan as re-developed into a new Marina.

There are around 600 spaces in this location but usage is only around 300 spaces.

Background to Property Investment Fund

- 9 As part of the £4.662m Asset Transformation Programme savings, £1,041m was identified as being from income generation. The majority of this income will come from commercial property investment acquisitions. Cabinet subsequently approved a Property Investment Fund for this purpose. The report and decision can be found at:

<http://doncaster.moderngov.co.uk/mgDecisionDetails.aspx?Ild=4057&Opt=1>

- 10 The fund will be used to acquire investments based on core investment targets and risk management. These include targeted returns of 7% over the total portfolio, investment parameters of between 5% and 10%, clear risk management with a balanced portfolio of properties and easy management or cost recovery of management.
- 11 The Council is fully committed to its aspirations to create a vibrant and successful Urban Centre and is confident that this proposal will enhance the development opportunities in Doncaster Town Centre.

RECOMMENDATION

12 That Cabinet notes the contents of this report and approves the following:

- Proceed with the legal process to secure the purchase of the two car parks using IMF funding.
- Delegated authority to the Council's Property Officer, in consultation with the Director of Finance and Corporate Services and Director of Regeneration and Environment, to negotiate terms and enter into conditional agreements using the Property Investment Guidelines as a target.
- Proceed with feasibility work to identify significant town centre regeneration proposals.
- Add the car parks to the Regeneration and Environment Capital Programme for 2017/18;
- Virement of the Finance & Corporate Services Capital Programme, which contains the Investment & Modernisation Fund allocation, into the Regeneration and Environment Capital Programme, where this scheme will be delivered and monitored.

13 The total estimated costs of the project can be broken and shown in the financial appendix 1.

WHAT DOES THIS MEAN FOR THE CITIZENS OF DONCASTER?

- 14 These undeveloped sites, once completed, could provide the citizens of Doncaster with a secure income stream, and redevelopment potential.
- 15 This proposal sees the Council using its unique position to exploit its asset base to develop opportunities which create jobs growth and revenue through the generation of new rents and business rates.

OPTIONS CONSIDERED & REASONS FOR RECOMMENDED OPTION:

16 There are two key options available to the Council and these are set out below.

Option 1: Not to acquire the car parks

Should the Council do nothing then the sites will be sold to an unknown third party and the Council will lose the opportunity to purchase two strategic sites within the town centre.

Option 2: DMBC to step in and to acquire the two car parks

The recommended option is Option 2. If the Council steps in and becomes landlord of the two sites this will provide a regular income stream, overall control of two strategic sites, control of two car parks and flexibility to develop

sites within the town centre. As the two sites generate an income it gives the Council the opportunity to benefit from revenues whilst establishing the best development opportunities.

IMPACT ON THE COUNCIL'S KEY OUTCOMES

	Outcomes	Implications
	<p>All people in Doncaster benefit from a thriving and resilient economy.</p> <ul style="list-style-type: none"> • <i>Mayoral Priority: Creating Jobs and Housing</i> • <i>Mayoral Priority: Be a strong voice for our veterans</i> • <i>Mayoral Priority: Protecting Doncaster's vital services</i> 	<p>There are no negative implications with this recommended course of action. By buying the two car parks DMBC will secure two medium regeneration opportunities to invest in the town centre, create new jobs and business rates.</p>
	<p>People live safe, healthy, active and independent lives.</p> <ul style="list-style-type: none"> • <i>Mayoral Priority: Safeguarding our Communities</i> • <i>Mayoral Priority: Bringing down the cost of living.</i> 	<p>There are no negative implications that may impact on the councils key objectives.</p>
	<p>People in Doncaster benefit from a high quality built and natural environment.</p> <ul style="list-style-type: none"> • <i>Mayoral Priority: Creating Jobs and Housing</i> • <i>Mayoral Priority: Safeguarding our Communities</i> • <i>Mayoral Priority: Bringing down the cost of living.</i> 	<p>This scheme could see development of a prime plots of land.</p>
	<p>All families thrive.</p> <ul style="list-style-type: none"> • <i>Mayoral Priority: Protecting Doncaster's vital services.</i> 	<p>There are no negative implications.</p>
	<p>Council services are modern and value for money.</p>	<p>This approach will improve value for money by releasing value from land that the council will own.</p>
	<p>Working with our partners we will provide strong leadership and governance.</p>	<p>There are no negative implications.</p>

RISKS AND ASSUMPTIONS

- 17 If the Council does not proceed the sites will be bought by an alternative purchaser.
- 18 There is a risk that the redevelopment options are not financially viable and therefore will not proceed until the market improves. However the car parks will generate an income and therefore the Council will benefit from significant revenues until such time as the sites are redeveloped.
- 19 The revenues are generated, on both car parks, come from a significant car park operator. The risk would be that the operator goes bust. In that case the Council would step in and run the car parks themselves, generating an income.

LEGAL IMPLICATIONS

- 20 Under s.120 of the Local Government Act 1972 the Council has statutory power to acquire any land inside or outside its administrative area for the purposes of its functions. Regeneration falls within the functions of the Council.
- 21 The proposal is to buy the freehold of the two car parks which are currently both subject to leases with 20 years left to run. In order to redevelop the car parks it early termination of these leases will have to be negotiated. If this is not possible the Council will still benefit from the rental income from the car parks for this period.
- 22 If the purchase of the property were for investment purposes rather than regeneration then s12 of the Local Government Act 2003 allows for investment either for “any purpose relevant to the Council’s functions under any enactment or for the purposes of prudent management of its financial affairs”.
- 23 In exercising its powers to invest under S12 the Council should have regard to the CLG Guidance on Local Government Investment, this includes the need for the Council’s investment strategy.
- 24 Investment in property purely for a financial return is not viewed as being for a purpose relevant to a function of the authority although it may well fall under the prudent management of financial affairs.

FINANCIAL IMPLICATIONS

- 25 This section summarises the financial implications. A more detailed breakdown of the financial implication has been appended.
- 26 The capital costs will be funded through prudential borrowing from the Investment and Modernisation Fund (IMF).

- 27 The revenue costs associated with the borrowing (repayment of principal and interest) have been calculated and are exceeded by the rent due to the Council from the tenant.
- 28 The key assumptions used for the borrowing calculations are summarised in the table below.

	NCP Car Parks
Useful life	50 years
PWLB maturity certainty rate	2.30%
IMF risk factor	0.50%
Total interest rate	2.80%

- 29 As stated above, the gross savings will contribute to the £1.041m target for income through investment property. If the £1.041m is overachieved the savings will be put towards the overarching Appropriate Assets savings target of £4.662m. The borrowing costs will be met by the Council's Treasury Management function and any costs outside existing budgets will need to be factored into the budget setting process.
- 30 In accordance with financial procedure B.17 budget virement between Directorates above £500k must be approved by Cabinet, this report satisfies that requirement.

HUMAN RESOURCES IMPLICATIONS

- 31 There are no immediate HR implications arising from the recommendation to the purchase of the two car parks, however, any future changes that impact on the workforce will require HR engagement and would require separate approval.

TECHNOLOGY IMPLICATIONS

- 32 There are no technology implications in relation to the recommended option to acquire two strategic car parks, which will continue to be operated by external providers. Digital & ICT should be consulted in relation to feasibility work to identify significant town centre regeneration proposals, to enable any arising technology implications to be fully considered and understood.

EQUALITY IMPLICATIONS

- 33 None

CONSULTATION

- 34 Councillor Joe Blackham, Cabinet Member for Highways, Street Scene and Trading Services.

BACKGROUND PAPERS

<http://doncaster.moderngov.co.uk/mgDecisionDetails.aspx?Id=4057&Opt=1>

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Appendix 1 Financial Summary
Appendix 2 Scheme Layouts
Appendix 3 Property Information