

**CABINET**  
**19 NOVEMBER 2020****LAND ACQUISITION**

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**Relevant Cabinet Member**

Dr K Pollock and Mrs K May

**Relevant Chief Officer**

Strategic Director for Economy and Infrastructure

**Local Member(s)**

Not applicable

**Recommendation**

**1. The Cabinet Member with Responsibility for Economy and Infrastructure recommends that Cabinet:**

**(a) notes the progress made on the Council's recent delivery of rail infrastructure and Gamechanger site schemes and considers the acquisition of land adjacent to key rail nodes for the delivery of further "gateway" schemes in Worcestershire (Gamechanger 2 Sites);**

**(b) authorises the Strategic Director for Economy and Infrastructure to commence, continue and conclude the negotiation of contracts for the purchase of interests in Gamechanger 2 Sites, provided that any proposed purchases fit within the Parameters set out in the body of this report;**

**(c) subject to the approval by Council on 12 November 2020 of the increase to the Capital Programme, delegates authority to conclude the purchase of Gamechanger 2 Sites to the Strategic Director for Economy and Infrastructure with concurrence the Assistant Director of Legal and Governance, Chief Finance Officer and the Cabinet Members for Economy and Infrastructure and Transformation and Commissioning, which supersedes the decision made in the Cabinet report dated 22 October 2020; and**

**(d) considers proposals for the development of the Gamechanger 2 Sites in the second half of 2021.**

## Background

### Why is this important

2. Local Authorities are uniquely placed to steer the direction of development in pursuit of the regeneration of place for their residents. That uniqueness is in some part attributable to the powers that local authorities have to acquire land compulsorily, but this can often be a double-edged sword in terms of process, duration and the potential for acrimony. They should not, therefore, ignore the opportunity to acquire land with a potential strategic purpose when it becomes available on the open market.

3. Following years of relatively little activity in this space, the Council has in recent years gained considerable experience in the delivery of rail transport and Gamechanger infrastructure and assets. The ability to combine this learning with projects on available land that is adjacent to rail infrastructure is compelling. This is especially true as the rail industry itself moves to rank its own investment in pursuit of the four Cs of Capacity, Connectivity, Carbon reduction and as a Catalyst for growth.

4. The Government also promotes schemes around Low Carbon, Restoring Your Railway (RYR) [or undoing Beeching], Geographic balance and the Levelling Up agenda. In that regard, Worcestershire does not generally stand out on the averages used in the rankings. Those averages, however, mask the kind of localised areas of deprivation that would significantly benefit from the type of development enabled by the proposed acquisition.

5. The proposed investment is not without risk, especially in times where the rate of change may have been accelerated permanently in terms of digital connectivity, commuting by rail, space utilisation and urban living. Land has, however, historically offered good security in the medium to long term even in its raw state, not least because the supply side is essentially finite. This paper seeks the authorisation to acquire land in that raw state with the intention that in concert with partners including Local Government, LEPs, Regional transport bodies and Network Rail business cases for development are brought back to Cabinet in the second half of 2021.

6. The Council has extant policy in the areas of economic development and the development of transport infrastructure including within its Local Transport Plan.

7. In addition to the successful delivery of major schemes of public utility around highways and rail, the Council has achieved a track record in the delivery of infrastructure and assets, including related land acquisition, in pursuit of those policies as evidenced by:

- Worcestershire Parkway
- Bromsgrove Railway Station (as a development partner)
- W6 Business Park
- Redditch Eastern Gateway
- Malvern Hills Science Park (and now wider Tech Park)

8. The Council is actively involved in and holds positions of influence within the major rail bodies relevant to Worcestershire's rail infrastructure including:

- West Midlands Rail Executive (WMRE)
- Midlands Connect (and Midlands Engine)
- North Cotswold Line Task Force (NCLTF)

9. The Council is currently concluding the latest version of its Rail Investment Strategy (RIS) which will be consistent with the shared policies of the above rail bodies. This will be brought before Cabinet in due course.

10. In the latest round of Growth Fund bidding with MHCLG, the LEP was successful in garnering time limited cash allocations towards the promotion of rail quarter development schemes on the Gamechanger 2 Sites.

11. The Council is therefore well set in terms of experience, engagement and influence to make further advances in delivering Gamechanger assets around transport hubs. The ambition and compelling case for development is described in Appendix 1 of this report.

12. Cabinet has recommended to Council the addition of £15 million to the capital programme for the purpose of enabling economic growth, including the purchase of Gamechanger 2 Sites, in accordance with adopted policies for transport and growth and as part of the post pandemic recovery.

The following paragraphs were included in the Cabinet Report on 22 October 2020

- Pp16 - We recognise that as well as investing in technology and skills, we also need to focus our efforts on ensuring that the County is agile and flexible to new opportunities, including the way and where people work. Key to that will be our transport infrastructure hubs. Our capital programme already had plans to spend £5 million across 2019-23 across our rail stations in the County. This report proposes increasing that to £20 million, with the additional £15 million funded from borrowing as and when any future decision is taken by Cabinet on consideration of a full and robust business case.
- Pp123 - This addition would be an in-principle extension of the Council's borrowing limits and will be monitored through regular Treasury Management reporting to Cabinet and Council. At this stage the additional sum of £15 million proposed is within the overall borrowing limits of the Council.
- Pp124 - Under Section 25 of the Local Government Act 2003 any Cabinet decisions to draw down this fund need to undergo robust financial assessment about the nature and pay back of the scheme. At the moment the Treasury is in consultation regarding the potential for the Public Loan Works Board (PWLB) application to commercial deals which could affect this, and as such the nature of the scheme be it commercial or regeneration will be key to the rate of borrowing and impact on the assessment. If the scheme were to be at risk of a negative return this would impact on future years' budgets and as such any mitigating actions would need to source at the point that was recognised. Otherwise it is expected that a scheme will pay back the full cost of any borrowing and have no impact on the revenue account. Each proposal brought to Cabinet will clearly identify this implication.

13. In delegating its decisions on the purchase of Gamechanger 2 Sites, it will be for those holding the delegated decision-making powers to identify the implications and these matters do not have to be referred back to Cabinet.

### **Proposed Course of Action**

14. Once the Council has completed its purchase of a complete Gamechanger 2 Site (which may be by way of land assembly), officers will spend six months working with relevant interested parties to develop a shared development vision with defined outputs most likely through a project board. This vision will be produced as a development specification and will serve both as the basis for seeking governance approvals to proceed to the next step of inviting developer interest and the promotion to the developer market.

15. The intention is that a board would appoint professional advisers in support of the preparation of the development vision and specification having regard to likely markets, land use allocations and design. Funding for this will be sought from Worcestershire LEP resources.

16. It is likely that the invitation to the developer market will set out bid criteria that, in addition to achieving a desired commercial outcome, set out other aspects of value appropriate to public sector policy. These may include:

The creation of a “gateway” experience for people arriving at the new location so that it becomes a Go To place

- The early generation of funds for further development such as value enhancement of existing facilities or sub-sales of part to partners, thereby reducing future demand for investment
- Imaginative master planning proposals
- Connectivity
- Growth potential
- The creation of public amenity space
- Sustainability
- The reduction of crime

17. Developers would be invited to “showcase” their ideas on design and economics during which they could be cross-examined on their proposals; it is expected that this part of the proposal would take six months so that a decision point can be reached approximately twelve months from the date of acquisition.

18. Having selected a developer partner, the governance of any investor partners will most likely require approval to enter into a development agreement with the successful developer on commercial terms, particularly around the sharing of costs and returns during the delivery of the development. This would probably take the form of packages each with its own discrete business case approved by the board.

19. Regeneration development of this type is not a quick process and it would be reasonable to think of timescales in terms of ten years for delivery of a complete scheme. What sits at the start of this programme is the planning process which, in

itself, will take in the order of a year from appointment, which may be mitigated if any front loading can be undertaken during the development specification process.

## **Legal, Financial and HR Implications (and Parameters)**

20. Due to the commercial and opportunistic nature of the proposed purchase of land in the open market, but in order to give as much transparency as possible to members, any future decision will be based upon a delegated mandate within some tightly constrained topographical, legal, value and financial parameters (the Parameters) as follows:

- a) **Topographical Parameters:** Gamechanger 2 Sites are adjacent to existing or proposed rail infrastructure
- b) **Legal Parameters:** the Council has received advice and reports on title from its legal advisers that land comprised in any Gamechanger 2 Sites has a good and marketable/mortgageable title
- c) **Value Parameters:** the Council has received advice and reports from its professional advisers about the value of land comprised in any Gamechanger 2 Site
- d) **Financial Parameters:** the Chief Finance Officer (CFO) confirms, following robust financial assessment about the nature and pay back of any scheme, having regard to one-off and/or ongoing revenue or capital implications / impacts, that the purchase of land, buildings or any other capital asset comprised in any Gamechanger 2 Site is within capital and revenue cash limits (including any cost of borrowing), as well as demonstrating value for money

21. As soon as any purchase of a Gamechanger 2 Site is completed, it automatically becomes a matter of public record by virtue of the Land Registration service. If, in the meantime but subject to an acceptance of the confidential nature of the subject matter, a member would like to know more information they should approach the Directorate of Economy and Infrastructure. In accordance with constitutional requirements, the Strategic Director for Economy and Infrastructure will inform local members when proposals for acquiring Gamechanger 2 sites are being developed.

## **Risk Implications**

22. The acquisition of the Gamechanger 2 Sites at this stage is simply about the buying and holding of sites for the development purposes described above. The risks associated with that development, for example adverse ground conditions and planning restrictions, will be explained and mitigated in subsequent reports to Cabinet seeking to move to the next stage in the development process. But that does not mean that the acquisition itself is without risks, which can be set out as follows:

- (a) **Value for Money/Valuation:** there are various ways to value land depending, to some extent, on what the parties intend to do with it. This can range from a market rate (e.g. £/acre) to an investment based upon income (e.g. from existing tenants) or a residual valuation where the likely finished value of a development is discounted by the costs of getting there – this is the most appropriate method for valuing land for development when a scheme can be reasonably envisaged e.g. an office or factory. The Council's professional advisers will have provided their opinions on the most appropriate valuation method and the results of that.

Any valuation will reflect the quality of the title to the land provided by the Council's legal advisers which must be a good and mortgageable title.

- (b) Risk in Current Market: Cabinet needs to be aware that valuations at this time are caveated in relation to uncertainty about future market conditions and, in particular, whether the changes seen to patterns of behaviour during the current pandemic and their effects on rail economics, the demand for urban living, retail and office space become the new norm. It is suggested that, as the proposed land acquisitions relate to regeneration projects, the ability to design development to optimise the opportunities in the new norm is a significant mitigating factor.
- (c) Affordability/Revenue: The cost of holding land for the period until a development return that neutralises the initial purchase cost can be achieved. This risk can be significantly mitigated if there is an income from the land that can be sustained for as long as possible up until and during subsequent development. The worst-case scenario in this instance is the revenue strain that would be suffered by drawing down all monies as debt with no mitigating income. It may also be the case that monies from sources including the LEP Growth Fund allocations, income from other development activity and LTP grant allocations can be used to mitigate the revenue strain.
- (d) Development Viability: Scheme failure where no viable proposals come forward is a risk that needs to be contemplated because a detailed assessment has not been made at this stage. In such a situation, the Council would need to bear any loss in value of the land, the costs of servicing any debt until that decision was made and the costs associated with the initial purchase of the land and up to the point of disposal. Mitigation here could be the procurement of specialist advice on disposal at the time which could include, for example, the partitioning and sale of the land in parts.

## **Joint Equality, Public Health, Data Protection and Sustainability Impact Assessments**

23. A public health impact assessment screening will be included in any business case development, with the findings published within the business case to ensure these influence any service specification made.

## **Supporting Information**

- Appendix 1 – Vision and Economic Purpose of Gamechanger 2 Sites

## **Contact Points**

### County Council Contact Points

County Council: 01905 763763

### Specific Contact Points for this report

John Hobbs, Strategic Director for Economy and Infrastructure

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## **Background Papers**

In the opinion of the proper officer (in this case the Strategic Director for Economy and Infrastructure) the following are the background papers relating to the subject matter of this report:

Cabinet report, Update on Covid Response Including Economic Development, 22 October 2020:

<https://worcestershire.moderngov.co.uk/ieListDocuments.aspx?CId=131&MId=3171&Ver=4>