

Meeting: Council

Date: 10 December 2015

Wards Affected: Goodrington with Roselands

Report Title: Claylands

Is the decision a key decision? Yes

When does the decision need to be implemented?

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1. Proposal and Introduction

- 1.1 The Proposal relates to the proposed redevelopment of Council owned land known as 'Claylands' which is located on the Brixham Road in Paignton using a combination of Council and Heart of the South West Local Enterprise Partnership funding.
- 1.2 The Proposal was identified as a key priority of the Torbay Economic Strategy 2013 – 2018 specifically to ensure that the right land, buildings and infrastructure are in place to support business growth in Torbay. When fully developed the site will support approximately 350-400 jobs and it is estimated that 150-200 of these will be gross new jobs for Torbay.
- 1.3 The proposal will also support the growth of the business rate base, this is increasingly important in light of emerging government policy over business rates and local government funding which will see the revenue support grant cease by 2020.
- 1.4 Earlier in the year the Council made an expression of interest to the Heart of the South West Local Enterprise Partnership (LEP) under "Growth Deal 2" for a capital grant to deliver the servicing and infrastructure to the site. It is anticipated that a full application will be called before the end of January 2016. Approval of the bid would fund site remediation of 10 acres (gross) of brown field land and pay for essential site access and other site infrastructure that is needed to create circa 6 acres (net) of developable employment land.
- 1.5 Without the LEP (or other) gap funding it would not be commercially viable to develop Claylands for employment uses and therefore the land which is identified

- 1.6 for employment use within the Local Plan would not become available for private sector firms to occupy.
- 1.7 It is further proposed that the Council invest £7.5M (subject to pre-lets and further delegated approvals) to pay to construct office, factory and/or warehouse premises on Claylands for occupation by 3rd party private sector employers. This development would not be speculative and delegated approval should depend on pre-letting agreements with prospective occupiers being legally committed on terms acceptable to the Council's Chief Finance Officer and the Executive Director for Operations & Finance. It is assumed that the £7.5M would be a release of existing borrowing. However to reduce the borrowing requirement it is proposed that any receipt for the disposal of sites or commuted sum received through the planning process for employment is allocated to this project.
- 1.8 The Second Proposal at para 1.6 would delegate the authority to commit the approved funding to the Council's Executive Director for Operations & Finance in consultation with the Mayor and the Council's Chief Finance Officer so as to expedite decision making. Such Approval being subject to the resultant investment achieving the specified target rate of return that the Council is asked to approve.
- 1.9 Pre-let premises developed should achieve an annual return on capital of not less than the amount that is specified in exempt Appendix 2. The Council's expected rate of return is information that is commercially sensitive.

2. Reason for Proposal

- 2.2 Torbay's businesses continue to identify that infrastructure is their main barrier to growth. The Council's economic development company, Torbay Development Agency (TDA), is in receipt of a number of enquiries from businesses which cannot be fulfilled at present. Fulfilment of these enquiries would see an increase in employment in Torbay Council, an outcome that remains at the heart of the Council's Corporate Plan and which would help improve economic, financial and community indicators which are important to the Council and the community. The proposal requires the Council to invest £7.5M in procuring the construction of business premises for prospective business occupiers. These premises would include a mix of industrial, warehouse and office premises. Claylands is identified as a Key Priority in the Council's Economic Strategy.
- 2.3 Council Authority is required to delegate authority to officers in consultation with the Mayor to make a decision relating to specific investment proposals at Claylands. The detailed financial information needed for such a decision is not yet available neither have leasehold offers as yet been received (although officers are progressing advanced negotiations with several interested parties. It would expedite decision making and improve the prospects of securing investment if the decision making powers are delegated.
- 2.4 The TDA is in discussion with a number of businesses who are prospective occupiers for the site. In most cases these are indigenous businesses to Torbay who are actively seeking additional space so that they may develop their businesses leading to extra employment for the area. Without space being provided locally there is a high risk that either these businesses will not grow or will relocate to areas where the space is available. These prospective occupiers of Claylands

wish to know that in principle the Council is committed to developing buildings on the site. This is required so as to give investors confidence that the officers with whom they are negotiating have the appropriate authority to make financial proposals on behalf of Torbay Council.

- 2.5 The TDA wishes to know the Council will support direct development prior to committing to Stage 2 costs from its existing approved budgets.
- 2.6 In summary the reason the Proposal is being made is because Claylands is a key priority of the Economic Strategy 2013 -2018 and;
- will lead to creation of an estimated 150-200 new jobs at the site when fully occupied;
 - will support local businesses grow in the area;
 - will improve the Council's income through business rate and rental growth; and
 - complements the transport infrastructure investment at South Devon Highway and the Western Corridor.

3. Recommendation(s) / Proposed Decision

- 3.1. That Local Enterprise Partnership (LEP) funding (£2.5M), if obtained, be applied to fund the site remediation and infrastructure works at Claylands.
- 3.2. That subject to the LEP funding the Council commits to make available up to £7.5M of funds to develop business premises on the Claylands site subject to the investment achieving a target rate of return on capital set out in exempt Appendix 2 to the submitted report. This initially would be funded from Prudential Borrowing that would be repaid from future Rental Yields from the site.
- 3.3. That the authority to commit Council funds be delegated to the Council's Executive Director for Operations and Finance in consultation with the Mayor and Chief Finance Officer.

Appendices

Appendix 1: Supporting Information and Impact Assessment

Appendix 2: Information relating to the Council anticipated Rate of Return (Exempt).

Background Documents

<https://www.torbay.gov.uk/index/yourcouncil/electedmayor/economicstrategy.pdf>

<http://www.torbay.gov.uk/index/council/performance/2910-corporate-planfinal.pdf>