

Special Economic Development and Enterprise Select Committee

MONDAY 14 DECEMBER 2009

7.30 pm

**MEETING ROOM 2, CIVIC OFFICES,
CENTRAL MILTON KEYNES**

A G E N D A

www.milton-keynes.gov.uk/scrutiny

Chair: Councillor I McCall
Councillors: Carstens, Fraser, Jury, Lloyd, D McCall, A. Morris, O'Neill, Tamagnini-Barbosa and Tunney.

For more information about the meeting please contact Stephen Parker on (01908) 252391 or by e-mail stephen.parker@milton-keynes.gov.uk

What is Overview and Scrutiny?

Each local authority is required by law to establish an overview and scrutiny function to support and scrutinise the Council's executive arrangements.

Each select committee has its own remit as set out in its terms of reference but they each meet to consider issues of local importance.

They have a number of key roles:

1. Providing a critical friend challenge to policy makers and decision makers
2. Enabling the voice and concerns of the public
3. Driving improvement in public services.

The select committees consider issues by receiving information from and questioning officers and external partners to develop an understanding of proposals or practices. They then develop recommendations to provide to officers, Members or external partners that they believe will improve performance, or as a response to public consultations.

As select committees have no executive powers they often present their conclusions in the form of recommendations that can be provided to the Council, elected Members or other external agencies. Members will often request a formal response and progress report on the implementation of recommendations that they have provided to various parties.

Attending Meetings of Select Committees

Meetings of the select committees are held in public and are open for everyone to attend. If you would like to attend then please just turn up but if you can then let us know you are attending in advance of the meeting and whether or not you would like to make a representation to Members on behalf of yourself or others.

If there are specific issues that the meeting must consider in private then they will be asked to consider this at the meeting.

After the meeting the recommendations and Minutes of the meeting, as well as agendas and reports for the majority of the Council's public meetings are available via the Council's website at:

[\(http://cmis.milton-keynes.gov.uk/cmiswebpublic/\)](http://cmis.milton-keynes.gov.uk/cmiswebpublic/)

COUNCIL PRIORITIES 2009/10 – 2010/11

- To have effective and efficient (public transport) routes that, are affordable and accessible for all.
- To increase the level of education attainment for children and adults.
- To make it a safe and pleasant environment for the people of Milton Keynes to live and work.
- To improve people's life chances and narrow the gap between our poorest and most affluent communities.

- To help teenagers achieve their potential, contribute into their community and enjoy their lives.
- To limit the adverse impact of the recession on the community and businesses and prepare for economic recovery.

Terms of Reference of the Economic Development and Enterprise Select Committee

1. To assist in the strategic planning of the city for the benefit of its residents and to enhance the economic prosperity and sustainability of the area by supporting the development of evidence based strategies and policies in relation to these aims.
2. To scrutinise the provision of services, the achievement of targets and the provision of resources to this end.
3. To carry out scrutiny of the planning process and the Local Development Framework.

If you would like to find out more about the scrutiny or policy development process or about the future work programme for this meeting you can log onto the website at: <http://www.milton-keynes.gov.uk/scrutiny> or contact the scrutiny team at:



stephen.parker@milton-keynes.gov.uk



01908 252391

1. Welcome and Introductions

The Chair to welcome Members, officers and the public to the meeting and introduce Members and officers who are present.

2. Apologies

3. Disclosures of Interest

Members and officers to disclose any personal or prejudicial interests they may have in the business to be transacted.

4. The Radcliffe Initiative

To consider the attached report (Item 4) on the proposed land deal relating to the Radcliffe Initiative, which is due to be considered by Cabinet at its meeting on 22 December 2009.

The Select Committee has been requested by the Overview and Scrutiny Management Committee to review the proposals prior to their consideration by Cabinet. The Select Committee's observations on the proposals in the draft Cabinet report will be incorporated into the Cabinet report before it is finalised.

The Committee is advised that the text and some of the figures in the report will remain subject to amendment up to the point at which it is finalised for submission to the Cabinet.

The Select Committee may also like to be aware that a range of stakeholders who have an interest in the Radcliffe School and the various potential developments on the site have been notified of the Committee's meeting and may attend with a view to expressing their own views on the proposals.

Health and Safety

Any persons attending meetings in the Council Offices are requested to take a few moments to familiarise themselves with the nearest available fire exit, indicated by the fire evacuation signs. In the event of a continuous alarm sounding during the meeting you must evacuate the building immediately and follow all instructions provided by the fire evacuation officer who will identify him/herself should the alarm sound. You will be assisted to the nearest designated assembly point until it is safe to return to the building.

Any persons unable to use the stairs will be assisted to the nearest safe refuge. The yellow call point alarm will be sounded to alert the fire service as to your presence.

Mobile Phones

Please ensure that your mobile phone is switched to silent or is switched off completely during the meeting.

Comments, Complaints and Compliments

Milton Keynes Council welcomes comments, complaints and compliments from members of the public in order to make its services as efficient and effective as possible. We would appreciate any suggestions regarding the usefulness of the paperwork for this meeting, or the conduct of the meeting you have attended.

A form is available online at <http://www.milton-keynes.gov.uk/complaints/> or is obtainable at the meeting.

Please detach the slip below and return it to one of the officers attending the meeting.

Meeting Attended: Special Economic Development and Enterprise Select Committee

Date of Meeting: 14 December 2009

Comments:.....
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Draft report for Cabinet – 22 December 2009

Key Decision	Yes/
Listed on Forward Plan	No
Within Policy	Yes
Policy Document	Wolverton West End Development Framework Supplementary Planning Guidance (SPG) September 2004

THE RADCLIFFE INITIATIVE

Accountable Cabinet Member: Councillor Crooks

Contact Officer: Peter Smettem (Council Valuer) - 01908 252334

Tim Hannam (Corporate Director Finance and Risk Management) - 01908 252756

1. Purpose

- 1.1 This report considers the opportunities to achieve several of the Council's and the School's objectives in respect of the Radcliffe School site, by means of the Council itself offering to purchase that part of the school site with planning permission for residential development on the basis that it would simultaneously sell that area and the adjacent areas owned by the Council for residential development..

2. Recommendations

- 2.1 That the Council offers to purchase the Radcliffe School land designated for residential development, edged in black on the Council Purchase Plan, along with access to the existing swimming pool site and (if possible) an option to purchase land that might be required for an alternative swimming pool site.
- 2.2 That the Council agrees to sell this land and the adjacent land in Council ownership (i.e. the whole area edged in black on Council Sale Plan).

- 2.3 That these transactions should proceed on a “back to back” basis i.e. that the purchase should only take place if the Council has simultaneously entered into a binding contract of sale for the whole site with a third party.
- 2.4 That this back to back deal should only proceed if the following conditions are met:
- (a) The initial down payment from the third party for the combined site exceeds the net sum payable to the Radcliffe School, after taking account of the agreed deductions, and covers the Council’s and School’s transaction costs; and
 - (b) The sale agreement incorporates an “overage” arrangement which, in the opinion of the Director of Finance and Risk Management, gives a reasonable probability that the Council will recover the value of the Council owned land which is proposed to be incorporated in the sale agreement, the value of the “agreed deductions” mentioned above and any transaction costs arising from these recommendations.
- 2.5 That the Assistant Director Legal Services and Governance, in consultation with the Director of Finance and Risk Management and the Council’s Valuer, be authorised to complete the land purchase and sale transactions.
- 2.6 That a budget of £250,000 be allocated from reserves to fund the transaction costs arising from these recommendations.

3. **Issues and Choices**

Background

- 3.1 The Radcliffe Initiative Programme Board has sought to facilitate the sale of the school land edged in black on the Council purchase Plan and to clear the way for an agreed allocation of the proceeds, by:
- (a) Working with the Housing and Communities Agency (HCA) locally, to substantiate a bid for HCA regeneration funding to purchase the area for residential development.
 - (b) Reaching a documented agreement with the Radcliffe School Interim Executive Board on an allocation of the proceeds from any sale, such that any sale would extinguish the school’s deficit, cover its share of the abortive costs of the original Radcliffe Initiative and settle its outstanding loans from the Council (to pay for the arts block and additional classrooms); a total of £4.18m.
 - (c) Confirming with the Department for Children, Schools and Families (DCSF) that its consent for the land to be sold still stands, subject to nominated sports and educational facilities (currently estimated to cost up to £4.3m) being provided at the school. If this provision is made, the DCSF has advised that the proceeds from the sale can be

used to settle debts to the Council. (Sport England gave its consent six years ago to the disposal of playing field land at the Radcliffe School.)

- 3.2 Like all public authorities, the school governing body (currently the IEB) must have regard to any valuation provided by the District Valuer when selling property assets, and would attract criticism if it sold the property assets for less than that value. In this case, the District Valuer has recently valued the area of school land (taking account of the fact that it has outline planning permission for residential development and access across the Council land) at £9.05m.
- 3.3 The HCA had indicated that it would be prepared to purchase the surplus school land to assist in the regeneration of Wolverton, subject to a valuation provided by one of its panel valuers and the approval of its (national) Executive Board. The HCA panel valuer has taken a different approach to valuing the site and has reported a figure of £4.65m to the HCA for the same area of land. The HCA is not prepared to go beyond that figure and the school cannot realistically be expected to sell for less than the District Valuer's figure, without at least formally offering the site to the market first.

Options

- 3.4 **1. Do Nothing:** The Programme Board concluded that there was very little prospect of achieving any of the Council's or the School's objectives (set out above) in the short to medium term unless the Council itself was to take an initiative to break the deadlock.
- 3.5 **2. Council to provide Capital to the school at minimal risk to itself:**
The proposal is to prepare a back to back deal whereby the Council would:
- (a) Buy the school land that has the consent for residential development, plus access to the existing pool site, for £9.05m
 - (b) Pay the school £4.86m cash (£9.05m minus the £4.18m referred to above and also the project costs associated with facilitating the transaction)
 - (c) Add the adjacent Council land covered by the residential consent.
 - (d) Market the whole site for residential development on the basis of an upfront payment of around £5.75m (to make the whole transaction cash neutral for the Council) with an "overage" arrangement based on a share of future value. (In the current residential market this is a typical purchase structure.)

The essence of a back to back deal is that unless there was a buyer at the right price nothing would happen.

As a minimum (assuming there is a buyer) the Council would - at no cash cost - achieve its major objectives for the area:

- (a) Relieving the Radcliffe School of the various debts and liabilities it has accrued and providing the funding for the school to make a significant capital investment in the school's facilities
- (b) Bringing forward residential development in the area in support of wider regeneration objectives, and
- (c) (if possible) securing the ability to deliver all of the options for the future of the Wolverton Pool that are currently under consideration

The Council's Valuer considers that an overage arrangement could secure a further £8m over the period of the development which is anticipated to be seven/eight years, which would more than cover all the costs of the transaction and make a substantial contribution to recovering the abortive costs incurred by the Council as a result of the original Radcliffe Initiative. The full financial analysis is shown in the following tables.

The figures for the land values in the financial analysis are derived from the District Valuer's valuation of the school land £9.05m, the ransom strip £0.95m and the Council's land £2m. The valuation assumes that a new planning consent would be needed in line with current affordable housing policies. This is a more prudent approach to the valuation than making the assumption that the existing planning consent would be utilised.

Figures are not included in the financial analysis for the potential purchase of land from the school for the pool, should that be determined as the preferred location and the school agree to sell the land. That would be a matter for separate consideration.

Table 1 - Balances due to Milton Keynes Council from Radcliffe School

	£m
Loan for Arts Block 2004	0.966
Extension (additional classrooms) 2005/6	0.592
School Deficit	0.970
School's share of abortive costs on Radcliffe Initiative	1.658
Total	4.186

Table 2 – Acquisition of Land from School

	£m
Cost of acquisition at District Valuer figure	9.050
Less due from school (Table 1)	(4.186)
Cash payable to school	4.864

Table 3 – Cash payable on Acquisition

	£m
Cash paid to school (Table 2)	4.864
Stamp duty	0.450
Transaction costs for resale	0.250
Other project costs	0.240
Sub-total	5.804
Cash receivable from developer	5.750

Table 4 – Back to Back Sale of Land

	£m
Value of receipt from developer (incl. overage)	13.750
Cash paid to school	(4.864)
School debt written off	(4.186)
2009/10 project costs agreed as payable from proceeds on sale	(0.240)
Stamp duty	(0.450)
Transaction costs for resale	(0.250)
Additional MKC land in sale package	(2.950)
Proceeds from disposal	0.8

A key risk to this approach is that if there is no buyer at the right price the Council will have incurred about £250,000 of further costs, some of which at least would be abortive.

The figure for the additional MKC land for disposal included in Table 4 is the District Valuer's current valuation. This land is currently overstated in the Council's asset register at £6m, and needs to be written down to the DV figure through the Capital Adjustment Account, this has no impact on the net revenue position.

- 3.6 **3. Purchase the school land at the District Valuer's figure and hold it with a view to the Council selling the whole site later:** This alternative approach relies on the proposition that residential land values will rise over time as the market recovers. However, it would incur significant additional risks and cost. The Council would have to borrow to fund the purchase and meet the cost of holding and securing the site, all of which would add to the Council's severe revenue pressure and erode any financial return. The Council would also have to bear the full risk that the market might not significantly improve and that a new planning permission would be needed.

Other considerations:

- 3.7 School Investment intentions

The School Governing Body (the IEB) is in conversation with the DCFS about the development of a "sustainability plan", needed to give comfort to the DCSF that the school has robust and deliverable plans to sustain and continue its recent improvements. This plan will obviously be strengthened if the school can be relieved of its various liabilities and secure significant capital funds to invest in new facilities. The plan will be available to Members in due course.

- 3.8 Academy status

The School has been released from special measures and will no longer become an academy. The IEB will retain its authority until appropriate alternative arrangements can be put in place, which will take at least 12 months. The IEB is of course bound to act in accordance with the long term interests of the school and has consistently supported the objective of a significant land transaction to help provide the school with a sustainable future.

- 3.9 Radcliffe Trust Covenant

The Radcliffe Trust owns covenants over parts of the site. Discussions have been held with the Trust over the release of covenants to facilitate the housing development and the costs of so doing are factored into the table above, and the Trust has indicated its willingness to negotiate.

- 3.10 Accounting treatment

The Council will be buying an asset, marrying this asset to an existing land holding and disposing of the combined site immediately through a back-to-back deal.

The School will use these funds to repay loans to the Council, clear its overhanging deficit and pay a share of the abortive costs. The accounting treatment is straight forward and the Corporate Director of Finance and Risk Management is not aware of any specific problems of dealing with the transaction from an accounting viewpoint. This position has been discussed with the District Auditor.

3.11 Wolverton Community Pool

Separate consultations are ongoing about the various options for delivering a new/refurbished pool, each of which will require the support of the IEB. The outcome of the consultations is to be reported to Cabinet in January.

4. Implications

4.1 Policy

This proposal is in accordance with:

- (a) Wolverton West End Development Framework
- (b) Supplementary Planning Guidance (SPG) September 2004.

4.2 Resources and Risk

The Radcliffe Initiative Programme Board maintains a Risk Register covering various aspects of the programme. However the principle risks associated with this proposal are that:

- (a) No commercial buyer can be found for the site under the terms proposed in which case this proposal would not proceed. The figures contained in this paper concerning the anticipated land receipt are prudent, but not excessively so. The ultimate test is the market.
- (b) The Council would be at risk for the £250k costs for marketing and for which there is no mitigation.
- (c) The estimated overage is not realised on development of the residential land (dealt with in this paper)

Risk Mitigation

The purchase would only occur if the conditions set out in this paper are satisfied.

Y	Capital	Y	Revenue	N	Accommodation
N	IT	Y	Medium Term Plan	Y	Asset Management

4.3

4.4 Carbon and Energy Management

The planning consent provides for a Carbon Neutrality Contribution at a rate of £200 per tonne p.a. of CO2 produced by the development.

4.5 Legal

The provisions of Section 123 of the Local Government act 1972 need to be satisfied concerning the disposal of any interest in land.

The marketing exercise described above will satisfy those provisions

4.6 Other Implications

N	Equalities / Diversity	Y	Sustainability	N	Human Rights
N	E-Government	Y	Stakeholders	N	Crime and Disorder
Y	Carbon and Energy Policy				

Background Papers: Council Purchase Plan
Council Sale Plan