

Meeting of the Cabinet – 13th June, 2007

Report of the Director of Urban Environment

Delivering the Masterplan for Dudley Town Centre

Purpose of Report

1. To seek Cabinet approval of the principle of delivering the Dudley Area Development Framework (nine opportunity sites within the town centre masterplan) via a traditional Joint Venture approach.

Background

The Dudley Area Development Framework

2. The Dudley Area Development Framework was adopted as supplementary planning guidance on 14 December 2005. It presents a vision, development strategy and illustrative development framework to guide residents, businesses, developers, investors and Dudley Council in shaping the future of Dudley town centre over the next ten years and beyond.
3. The aspiration of the Council is to achieve comprehensive and sympathetic redevelopment of the nine opportunity areas (see appendix A) and improvements to public and civic spaces as set out in the Area Development Framework which will act as a catalyst for regeneration of the town.

Appointment of Consultants King Sturge Financial Services (KSFS)

4. Cabinet, on 15 March 2006, approved the appointment of King Sturge Financial Services to conduct an options appraisal for implementation of the Area Development Framework.
5. King Sturge Financial Services submitted their report to the Council on 29 November 2006. The recommendation was to procure a private sector partner which would enter into a 50/50 joint venture partnership (Single Purpose Vehicle) where the value of the Council's property portfolio would be cash-matched by a private sector partner and the vehicle would undertake development to satisfy the Council's objectives for the town centre.
6. At a meeting of the Project Board, which comprises Directors of the Urban Environment, Law and Property and Finance and officers advising on the project, on 2 March 2007 it was agreed that a review of the King Sturge Financial Services model and assessment of alternative options should be carried out

given the potential risks that implementation of this approach could have for the Council.

Appointment of Navigant

7. English Partnerships and the Council jointly appointed Navigant on 9 March 2007 to review the King Sturge Financial Services model and assess alternative options.
8. Navigant concluded that a traditional contractual Joint Venture approach, which would comprise a partnership between the Council and a private sector partner or partners, would be a more appropriate delivery vehicle than a Single Purpose Vehicle model. A summary of the findings of the report are provided at Appendix B. The Council's responsibility would be to create development briefs for the sites, procure private sector partner(s), run the CPO process as necessary and act as landowning client. Rather than selling land outright, the Council could keep an interest in the developed assets through retaining the freehold interest in the developments.
9. The Navigant report sets out the skills and resource requirements of the Council to effectively deliver its regeneration objectives as part of a Joint Venture.
10. Navigant advised that a broad range of expertise in programme management and design, public and private finance, valuation and cost consultancy, commercial and legal advice, and fundraising and structuring will be required to proceed and that these skills should be available exclusively for the project.
11. The Council will need to review whether it can commit the skills and resources to deliver the project using existing staff. If the Council is unable to deliver these skills and level of commitment in-house, alternative methodologies will be reviewed (e.g. creation of an arms-length limited company). It is considered that the Council will need to actively participate in the Joint Venture in order that regeneration activity proceeds with the minimum of delay and for the Council to meet its objectives and those of its regeneration partners.
12. As a result, the Project Team is exploring means of resourcing delivery of the Joint Venture with partners (e.g. Advantage West Midlands).

Way forward

13. It is proposed that the Project Team:
 - formalise the methodology for proceeding with the creation of a Joint Venture in accordance with Council Project Management Protocols;
 - establish a programme for management of the project, which identifies timescales, resources and key deliverables;
 - establish the most viable phasing structure for delivery of the project. This will include a structure indicating how opportunity areas are to be packaged and a marketing strategy;
 - hold discussions with partners to establish the potential for funding support to deliver the Council's aspirations;

- explore the Council's in-house resources and any additional expertise required as part of the financing and resourcing of the project; and
- seek legal advice as part of the establishment of the preferred delivery structure and to identify critical milestones such as OJEU procurement requirements.

Finance

14. Whichever approach is adopted there will be financial implications for the Council including:
 - the release of existing assets to support development opportunities and possibly using some of its own Capital Resources;
 - investment in suitable advice and guidance on appropriate operational, legal and financing structures;
 - maximising potential for "overage" and increasing Council's own resources;
 - possibly providing ongoing expertise and officer support to ensure the developments maximise potential; and
 - advice on procurement, taxation etc.
15. The Council will seek to set up a financial structure which minimises its risks within the context of its overall development aims and objectives and the potential to generate returns and to limit costs to within available resources.

Law

16. The Council have a range of CPO powers (including those contained in the Town and Country Planning Act 1990 which enable the Council to CPO land for regeneration purposes).
17. The Council may dispose of land at the best price reasonably obtainable on the open market, unless it grants a lease for less than seven years or the consent of the Secretary is obtained, under section 123 of the Local Government Act 1972.
18. The Council may do anything which it considers is likely to achieve the promotion or improvement of the economic, social, or environmental well being of its area under section 2 of the Local Government Act 2000.
19. The Council may do anything which is incidental to conducive to or which facilitates the discharge of its functions under section 111 of the Local Government Act 1972.

Equality Impact

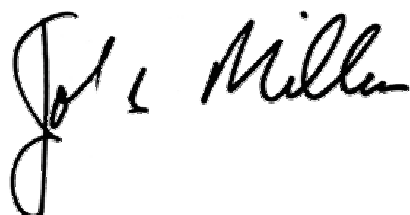
20. Delivery of the Dudley Area Development Framework will bring significant regeneration benefits to Dudley town centre. It will have a major positive effect on all users of the town centre including residents, visitors, businesses, investors and developers. Benefits of delivery of the Area Development Framework will be achieved for people of all ages, including children and young adults, and groups in society.

21. All work undertaken in connection with the preparation of a business case for delivery of the Dudley Area Development Framework will be carried out in accordance with the Council's Equality and Diversity Policy.

Recommendation

22. It is recommended that:-

- Cabinet approve the principle of delivering the Dudley Area Development Framework via a traditional Joint Venture approach.
- The Director of the Urban Environment, in consultation with the Director of Law and Property and the Director of Finance be authorised to identify resources and develop a business case for procurement of a Joint Venture for presentation at the September meeting of Cabinet.



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List of Background Papers

Appendix A – Dudley Area Development Framework opportunity areas
Appendix B – A summary of the findings of the Navigant report