

MAIDSTONE BOROUGH COUNCIL

RECORD OF DECISION OF THE CABINET

Decision Made: 14 October 2009

DELIVERY OF DEVELOPMENT & REGENERATION PROJECTS IN MAIDSTONE

Issue for Decision

To consider the range of funding sources and delivery arrangements for development and regeneration projects including the role of asset management.

Decision Made

1. That, in principle, a long term approach be taken with respect to securing investment for development and regeneration projects and that this should be underpinned by public:private collaboration.
2. That further work be undertaken with respect to the asset portfolio of the authority in order to identify assets for disposal in the short term and assets that could be considered for inclusion in a public:private partnership for the future delivery of development and regeneration projects over the longer term in Maidstone as summarised below and in Appendix 1 to the report of the Director of Prosperity and Regeneration.

Reasons for Decision

In order to achieve the place shaping aspirations expressed in the borough's Sustainable Communities Strategy, current Borough Plan and Regeneration Statement and to meet the test of soundness required for delivery of the LDF Core Strategy, a review of options for delivery of projects and infrastructure has been undertaken. The report of the Director of Prosperity and Regeneration set out the background, summarised the options and recommended the next steps.

Development and regeneration projects are only one of a variety of activities which will demand capital resources in the future. Additionally, it is anticipated that the resources available to the Council through traditional channels, including cash income and government grant and investment programmes, are likely to become more constrained over the period of the medium term financial strategy as overall levels and the distribution of public spending are adjusted. For these reasons the Council also needs to give consideration to increasing its liquid assets in the short term, including, through the disposal of land and property. A balance will need to be struck between short and long term demands for capital assets.

Currently development and regeneration projects are managed and delivered by in-house teams directly or through commissioning of consultants and contractors on a project by project basis (for example Maidstone depot project, High Street public realm project) or through working in collaboration with Kent County Council (particularly with respect to transport and neighbourhood planning projects).

In terms of capital resources the Council is currently debt free, utilising the resources obtained from a housing stock transfer in 2004. The authority has growth point status and, to 2009/10, has received £8m in grant. However the Department for Communities and Local Government has advised that the indicative allocation of capital funding of £2.5M for 2010/11 will be reduced by around 56% to £1.1M; consultation is underway but advice from ministers suggests that this position is unlikely to change as funding has been redirected to other programmes. The authority also has a range of other capital assets; the capital resources available for 2009-12 include assets identified as surplus for resale to an estimated budget level of £34m. The Council's treasury management strategy and prudential indicators identify maximum borrowing of £4m in the period to 2011/12. The medium term financial strategy identifies a need to find compensating savings to support borrowing of £2m by the end of 2010/11 and assumes further borrowing of £2m in 2011/12 but has not identified compensating savings to support this. In addition two major schemes in the capital programme – the Museum East Wing Extension and Mote Park - have external heritage funding.

The Cabinet agreed a capital schemes programme in May 2009. This programme and the associated funding streams are under review as a consequence of changes to growth point capital grant and assets disposals. This will be considered integrally with the revenue budget planning process as part of formulating the Council's Medium Term Financial Strategy for 2010 onwards.

The Council's key objectives with respect to development and regeneration are summarised below:

- Long term economic sustainability of the borough and in particular Maidstone town centre
- Greater control over development and regeneration opportunities in the borough than would be achieved through responding to piecemeal approaches from the market; this to include proactive development or regeneration of key sites and as part of the identification of "quick win" projects
- Delivery of infrastructure arising from current and future needs as identified in the South East Plan, LDF Core Strategy and Growth Point Programme of Development including transport
- Delivery of housing targets including affordable housing and tackling the perception and reputation of particular residential areas eg Parkwood and tower blocks in the town centre
- Delivery of Neighbourhood Management Action Plans
- Achievement of benefits for the Council and its public sector partners from the development process and not just from the sale of land and property under their control

- Maximise resources and funding opportunities for the Council
- Diversify, expand and optimise the Council's property portfolio
- Improvement to the environment of the borough

Lack of investment resources over the medium to long term represents a fundamental barrier to achieving the Council's aspirations for regeneration, delivery of the enabling infrastructure needed to achieve sustainable community development as envisaged in the SCS and LDF (transport, housing, social infrastructure) and satisfying the "test of soundness" essential for adoption of the Core Strategy. Funding mechanisms for unlocking "growth" include established and emerging options including:

- LABGI – Local Authority Business Growth Incentive scheme
- Business Rate Supplement
- S106 – site orientated contributions/ Strategic Planning Tariff
- Community Infrastructure Levy
- Regional Infrastructure Funds
- Accelerated Development Zones/Tax Increment Financing
- Other forms of local taxation e.g. work place parking levy
- Public-private partnerships

In the current economic downturn there is uncertainty about how some of these mechanisms will operate and when some of them will be available. There is concern that Business Rate Supplement and Community Infrastructure Levy will not be sufficient to cover the cost of infrastructure needed to support development and regeneration. The recession has reduced cash flow from some key areas e.g. S106 and raised uncertainties about government investment e.g. Growth Point. Policy and regulation changes are likely to increase development costs at least in the short term while the market adjusts e.g. building to the higher levels of the Code for Sustainable Homes and this in turn will impact on the scope for securing contributions from future development. The LDF Core Strategy will need to be supported by an Infrastructure Delivery Plan. The approach to securing infrastructure needs to be complementary to the delivery mechanisms used to secure the development and regeneration projects which will result in place shaping for the future e.g. in the town centre.

The scale of investment required and the current economic landscape suggest that a mix of funding tools and partners are needed to deliver investment and, potentially, generate long term economic gains for the Council (or ultimately the treasury). One strand of a strategy to address the need to generate resources for investment through the council's own efforts is the contribution that can be secured from its existing assets both now and on an on-going basis. It is suggested that examining these options now is timely because of the contribution needed for the Core Strategy infrastructure delivery plan and because of the risks of future constraints as the government develops its response to the impact of the credit crunch on public sector resources.

Appendix 1 sets out a brief summary of the broad options available. Public:public partnership is an additional option. However, discussion with SEEDA suggests that investment resources available through this route are heavily constrained and that Maidstone would not be a high priority

location for either single project investment or a significant scale package of projects. Hence it is suggested that further consideration of this option would be unlikely to be fruitful. All the options set out in Appendix 1 to the report of the Director of Prosperity and Regeneration have merit; making a choice about the predominant model to be followed is dependent on the time horizon employed ie predominantly short or long term. It is recommended that, on balance, a long term investment strategy would result in more sustainable use of resources and that in principle the timing for testing the market is appropriate because the council has a recently adopted the Sustainable Communities Strategy (ie clarity about how the community wants to see Maidstone develop and improve) and a package of infrastructure development required for the LDF.

However, before making any decisions on precisely what to do in terms of using property assets as a means of facilitating development and regeneration projects it is recommended that there needs to be a review of the Council's portfolio and, with respect to public:private partnership options, a soft market test of the attractiveness of the portfolio and the council as a partner.

Alternatives considered and why rejected

The Council could continue with its current arrangements for generating and applying resources for development and regeneration projects. There is a significant risk that this will not deliver the scale of resources needed for the authority's place shaping aspirations or the infrastructure needed to support the LDF. Hence it was recommended that the range of delivery arrangements is fully explored.

Background Papers

None

Should you be concerned about this decision and wish to call it in, please submit a call in form signed by any two Non-Executive Members to the Overview & Scrutiny and Policy Manager by: 23 October 2009
