

Delegated Decisions report



23 March 2021

THE AGORA REGENERATION, WOLVERTON - TO CONSIDER THE NEXT STEPS FOR DEVELOPMENT

Name of Cabinet Member	Councillor Rob Middleton (Cabinet member for Resources)
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Exempt / confidential / not for publication	No
Council Plan reference	Ref number: N/A
Wards affected	Wolverton Ward

Covering Note from Cabinet Member

The regeneration and revitalisation of our cherished high streets, especially those in MK's original settlements, has and continues to be a long standing priority of Milton Keynes Council. A number of important initiatives are underway across the borough, the most prominent of which focus on Bletchley town centre and Wolverton high street.

The Agora high street regeneration is a long standing Council Plan priority. A regeneration of the high street in Wolverton, centring on the now shuttered Agora Centre, remains a community priority as it has been for well over two decades.

As is common with regeneration schemes up and down the UK, financial viability is once again threatening to stall and derail this most recent effort to regenerate the high street in Wolverton. In short, the proposed regeneration scheme cannot be taken forward and delivered commercially by the private developer.

If this most recent effort to regenerate the high street in Wolverton stalls, the significant public benefits to both the Borough and the Wolverton Ward and its community will not happen. These significant benefits include 115 new homes located in a brown field location close to public transport links, 31% market discount affordable housing in line with Plan:MK, new retail units and community space, alongside improvements to the highways, street scene of the historic and once destination high street.

The Council plans to deliver additional parking on St. Georges Way under a separate delegated decision in June 2021 following strong and passionate feedback from representatives of local small business, local faith groups, and local political representatives.

In summary, investment by the Council is therefore required to realise this regeneration of the high street and the wholesale redevelopment of the now-shuttered Agora centre. Options have been worked up by MKC Officers over recent months but now require explicit political support to allow them to be fully worked up ready for consideration by Cabinet in June 2021 and likely by all 57 Councillors of all three political parties at a future meeting of Council.

Executive Summary

The Agora redevelopment is a Council Plan priority. The development scheme has been under consideration for a number of years. The development scheme details are included at the attached Annex. The redevelopment will bring benefit to both the Borough and the Wolverton Ward and its community, creating 115 new homes (31% affordable planned in accordance with Plan:MK), shops and community space. The Developer, TOWN has submitted a planning application for the site, which is due to be determined in June 2021.

As a regeneration scheme it is not possible for the developer to take the scheme forward commercially and deliver the regeneration benefits, additional affordable housing and other community benefits. The Council will therefore need to step in and invest directly in the scheme.

We have been working on a number of potential options for the site to ensure that the regeneration benefits can be delivered in full and the scheme is financially viable for the Council over a sensible time horizon.

Delivery Options

Various options have been considered to enable this development and some have been discounted. This decision focusses on the final two options, one of which is anticipated will be implemented to deliver the development.

The first option is a forward funding option, where the development is built by the Developer utilising third party funding. In this option the freehold would be owned by the third party, and the Council would take a finance lease of the development with an option to purchase the freehold at the end of the term of the lease for a nominal sum. During the lease, the Council would retain the rental income stream from the development and be accountable for the operational costs of the scheme, for example maintenance, management and letting costs. The model is that the rental income stream from the rented homes would offset the lease payments, management and letting costs, with the potential of a surplus.

The second option is for the Council to purchase the completed development from the developer using borrowing either internally or through the PWLB and again then be accountable for the operational costs of the scheme, for example maintenance, management and letting costs. As the previous option, the model is that the rental income stream would offset costs, with the potential of a surplus.

For both options, it is anticipated that the Council would create a Limited Liability Partnership (LLP) to hold and manage the asset. If the LPP is desirable, the Council will lease the asset to the LLP and provide the LLP with working capital.

We are currently working through elements on both options. Once this work has been completed a report will be brought to Cabinet and ultimately likely Council setting out in full the preferred option, including the financial, legal and procurement implications and budget requirement.

1. Decisions to be Made

- 1.1 That it be noted that the regeneration of the Agora currently requires significant Council investment to take it forward.
- 1.2 That further detailed work on the two options for the funding of the delivery of the regeneration of the Agora, either through a forward funding option, or through the option of purchasing of the asset, be approved.
- 1.3 That delegated authority be given to the Director - Environment and Property, working with the Director - Finance and Resources and the Director - Law and Governance, to evaluate the options at (a), enter into any necessary negotiations and reach any necessary agreements with relevant parties, with a view to making a recommendation to the Cabinet and Council in June 2021 of the most suitable option.
- 1.4 That an allocation of £76,000 to cover the cost of advice that is required to conclude the evaluation to reach a preferred option funded from general fund revenue reserves, be approved.

2. Why is the Decision Needed?

- 2.1 The Council Plan 2016/2022 continues to cite Council support for the redevelopment of the Agora Centre; "Supporting the regeneration of the Agora Centre, Wolverton" and it is a current Council Plan priority.

- 2.2 The Developer cannot deliver the development of the Site under the terms of the current Contract due to viability issues, which is explained below.
- 2.3 In late 2017 the Council made the decision to enter into a contract with the Developer to sell the Council's Car Park to the Developer subject to certain important conditions including that they would purchase the Agora Centre and secure planning permission for redevelopment of the Site.
- 2.4 The Council entered into a disposal contract with the Developer on 9 November 2018 (the Contract). The Contract required the Developer to submit its planning application for the redevelopment by 16 November 2019. The Developer encountered viability challenges due to Brexit and subsequently asked the Council to vary the contract for an extension of time for the Developer to submit the planning application. The Council agreed an extension to May 2020. The Council checked the Developer's development appraisal and instructed Kirby Diamond to confirm whether the Developer's scheme of redevelopment it was required to deliver under the Contract was not viable and this position was confirmed. Being unviable the Developer maintained it could not deliver the development under the terms of the Contract.
- 2.5 The Developer was not able to resolve the viability issues by May 2020 and consequently asked the Council for a further extension to submit the planning application by 31 January 2021 and the Council agreed to this. The Developer submitted its planning application on 10 December 2020 under the terms of the Contract but has maintained the development can only proceed if the Council steps in with a proposal as to how this could be achieved through a forward funding option where the Council would take a long lease of the development and have the option to purchase the freehold at the end of the lease.
- 2.6 To support the anticipated redevelopment of the Site, in August 2019 the Council took a decision to carryout works on the land in the Council's ownership which is St. Georges Way car park. These works will be subject to a separate decision in June 2021.
- 2.7 The development's viability issues can be resolved by intervention from the Council, as the Council is able to take a longer term view on the regeneration project and its financial, economic and social benefits.
- 2.8 The commercial viability of the project has been impacted by both original site acquisition and holding costs together with the desire to deliver a quality regeneration to Wolverton, which meets key objectives for the area including 31% affordable housing, community benefits and design.

3. Implications of the Decision

Financial	Yes	Human rights, equalities, diversity	No
Legal	Yes	Policies or Council Plan	Yes
Communication	No	Procurement	Yes
Energy Efficiency	Yes	Workforce	No

(a) Financial Implications

The proposed decision will provide revenue funding to complete the options work and due diligence on the two investment proposals. This can be funded from the 2020/21 contingency budget.

The report to the June Cabinet and Council meeting will set out the financial, legal and procurement implications for each option and necessary budgetary approvals to progress the preferred option. Both options under consideration would impact on the Councils Capital Financing Requirement (Finance Lease or Direct Purchase). The impact for the Council's borrowing limits will be covered as part of the final proposal together with the financing strategy.

(b) Legal Implications

The Council has general powers of competence under section 1 of the Localism Act 2011, to do anything which an individual may do. This power is subject to any limitations placed upon by the Council by any law which was in place, before the Localism Act came into force, and any limitations placed by subsequent laws.

The Council may also have other specific powers under other legislation, but this will depend on the option that may finally be recommended for approval.

It is anticipated that the forward funding and purchase options detailed in the decision section of the report will carry legal implications particularly in relation to matters of subsidy and procurement law. These will be considered for each option as part of the evaluation process with a view to ensuring that the Council takes the necessary steps to remain compliant with relevant requirements and where necessary, take mitigating steps

4. Timetable for Implementation

Confirmation of final delivery option: Target June 2021

Planning approved: Target June 2021

Works on site: Target Spring 2022

List of Annexes

Annex Details of the Development Scheme

List of Background Papers

None.