Investigation into
Tunbridge Wells Borough Council's dealings

Friday, 20 November 2009

Lee Moran, The Courier, spoke about the project **("Tunbridge Wells Regeneration Company")** to David Candlin, Head of Economic Development and Regeneration, Tunbridge Wells Borough Council.

Q: **Why did the council decide to set up the regeneration company?**

A: Members were very keen to look for a new way forward.
You look around *Royal* Tunbridge Wells town centre and there is a number of long-standing development sites

We asked if we should leave it to the market or should we be more proactive and try and bring things forward?

There's new opportunities here. We have nearly 400 staff in this relatively old-fashioned building (in the Civic Centre). I have quite a big office and I am out most of the time at meetings. It is wasted space and getting more and more expensive to maintain.

We've opened up the Gateway so we are far more integrated with Kent County Council and our other partners. So hopefully there is no longer a case of "it's not us gov, it's them" as everyone is under the same roof.

So we were looking at how to go forward - Do we just go through the normal local tendering process, or do we try and work with a partner and be more engaged in the process?

Q: **Whose idea was this project in the first place?**

A: It's come out of the council, partly driven by members and also residents fed up with seeing empty buildings and sites. We want to be more engaged, have more income streams be more in control of development as it takes place.

Something to come out of the Comprehensive Performance Assessment said "you've got your assets, now what are you doing with them? Do you know what they are?" and being highly critical of the council.

The current leadership has moved us from rated as weak to excellent. There is now more drive that we don't sit back and watch the likes of Maidstone take over from us a major town centre in the regional rankings, or that Crawley goes past us. If we don't actually do something then we will fall behind.

Q: **How did you do it?**

A: We went out to procurement through the Official Journal of the European Union which meant being advertised across Europe. We went through an 18-month programme to select John Laing and actually come up with a deal. It is one of the first Local Asset Backed Vehicles in the country. It is very innovative and doesn't mean we've actually released any of our sites to John Laing.

Q: **What did John Laing offer compared to the others?**

A: We originally had 21 interested firms, which was excellent because we didn't know if there would be any takers for this sort of approach at all. John Laing was prepared to commit to the four centres, while some of the others weren't keen on Paddock Wood, Cranbrook and Southborough.

They were felt on balance to have the right skills, were offering us the right opportunities and in terms of discussions taking place with them, we felt we could actually work with them where we might not have been able to with the other developers. That's quite critical when you're trying to build a long term relationship.

Q: **Why did you not tender all the sites individually?**
Wouldn't it have been less risky and made the council more money?

A: That's why we went through the long procurement route. We decided to identify 38 sites that the company can have first option on. We could have done that 38 times but we'd have had to create a development aspect for each one. We only had to go through that process once for this opportunity, meaning there are certain efficiencies.

The company is then able to look at the market, in terms of who can deliver the aspects and make sure we get value for money, plus we are getting the expertise in from John Laing in terms of controlling some of those costs.

Q: **You said it was innovative, why?**

A: We actually signed the deal on December, 4, 2008, pretty much at the height of the recession. If we had pre-determined the value of our sites at that point then we wouldn't have signed. The innovative part of the deal is it's an incentivised approach, where John Laing has to do a bit of work to come forward with individual opportunities on the sites we've agreed they can look at.

They have to prove it's a viable scheme to develop and then we have to say yes we will go up to a more detailed level. The board then takes the decision saying it’s happy to commit. The council itself then has to decide if it agrees and it's only at that point we are agreeing to release our site to the company for development.

A site might not go forward in year one, year two, or even until year 10. And that's the point it will actually be valued at and why we signed up in a recession, because in a sense there will be more planning over the next year and a half.

We knew round about the time we were signing that Medway Council was parking its potential deal because they were valuing their land at the day they were about to sign and obviously with the financial crash they decided they couldn't go through with it. But the way we have structured ours means we're able to go ahead.

Q: **Do you hand over the assets to the company or do you sell them?**

A: This is where the deal is very flexible - the overall company will be a holding company. You have the council and John Laing as owners, with individual projects set up underneath.

That can be a simple joint venture, it could be a development, or that we no longer want this site, or it could be a site we'll just sell rather than retaining the freehold. Or we might be looking at another site where we want to retain a long-term income stream.

It depends on the opportunity, and we will choose what's right at the time for that - i.e. is it handed over or sold. There is not a fixed way forward, we will look at it quite flexibly and decide what's right and in the best interest of the company and council.

Q: **How long are we tied in with John Laing for?**

A: It's just a 10 year partnership. That means we have to get on with it. We can't sit around talking. There are some regeneration partnerships out there lasting 15, 20, or 25 years. Ours is 10 years, so we really have to get moving in terms of delivering.

We put 10 years into the procurement and that is what we are tied to. We can't decide to extend. If a site comes forward in the tenth year there is the scope for the company to do that scheme but beyond the 10th anniversary of the creation of the company that is the end of it. If we wanted to continue with John Laing I suspect we would have to go through procurement again.

Q: **How much is this deal worth?**

A: Lots of people have asked how much this deal is worth. To calculate it we simply saw those 38 sites were worth £80m in mid-2008, and with John Laing throwing in the equivalent it's worth about £160m.

We haven't put the sites in at day one and so they are not valued at day one. But I'm quite sure John Laing would have done some maths themselves to see whether the opportunity stacked up financially for them.

Q: **How does the board of directors work?**

A: The board is equal partnership, with one share each. It's deadlocked, so even if only one of our board members turn up and two of John Laing's members are there, we still get four votes each.

We can't be outvoted in terms of that. It's a safeguard, and likewise there's the same safeguard for John Laing. It is a partnership and we meet on a monthly basis to talk to them about the various works.

We looked at a limited liability partnership and a joint venture - and the rationale is that joint venture gives us more transparency as an authority in terms of the costings in the council so we are very, very clear what we are actually getting ourselves into.

Q: **Who are the directors?**

The directors from the council are Cllr Glenn Hall, who is a partner at Norton Rose, which isn't necessarily a small company, and he's got a massive corporate background. He is currently chair, which is on a rotating basis, but there's no casting vote. Cllr John Jukes is there with his business hat on and Cllr Davies is there with his financial hat on. It's quite a strong team in terms of the directors, and they are elected by the council.

Q: **Council chief executive Sheila Wheeler is also on the board but she is now leaving – who will replace her?**

A: We've already had to replace Rob Cottrill *[Director of Development & Planning]*, and now Sheila's leaving. There are procedures there and she will resign as in the usual way.

Q: **Why is there an unelected representative on the board - ie. a council officer?**

A: The idea of having an officer as one of those representatives is mainly in terms of detailed day to day working and regular briefings. They are aware with what is going on, therefore there's a bit more engagement at board level rather than four directors who are just members. Of course they are elected by the council and they are still accountable to the members.

Q: **Do the directors get paid?**

A: The directors are not paid. There are only two shareholders - Tunbridge Wells Borough Council and John Laing.

Q: **But the directors can be paid if there is agreement by the shareholders? Is this not true?**

A: It's a hypothetical question. They are elected members and it is a shareholder consent matter. The directors themselves could not agree to that, so they would have to ask for written permission from John Laing as a company and the council's cabinet. But they are not paid roles.

Q: **How will a conflict of interest be avoided in the planning process, because the council is essentially voting on its own plans?**

Councils who own land across the country face the same problem. There is a clear process and any site we have that goes up for planning permission must go to committee, it cannot be decided by delegated officer decision.

It will be subject to the same levels of scrutiny and in fact I would think there would be more levels of interest inside and out as to what we are doing. For example, Cranbrook council offices, because it is one of our buildings and in a conservation area, has to go through the Government Office for scrutiny. If our planners agree it should be demolished then the government offices must take a view on that.

The company is a separate legal entity. It is bound by planning legislation as any other company would be. Just because cabinet agrees with the financial deal, it does not mean the planning committee would be happy with the planning side of things.

Q: **What measures have you taken to allay fears there will be a conflict of interest?**

A: At cabinet level the portfolio holder and chair of planning Cllr (*Mrs Elisabeth)* Thomas already leaves the room when they are discussing transfers to the company.

Similarly, as the leader will probably be sitting in cabinet taking a decision, if he sits on the planning committee then he will have to withdraw and not be able to take part in any decision on that proposal.

It is something all authorities have to deal with whether they have set up a company or not, if they are landholders. When Robert Cotterill was a director, some of his duties were transferred to the Head of Planning to ensure he could not be seen to be taken decisions that might have then affected the council.

Q: **What do you say to people who say the council is taking all of the risk and will only get back half of the profit?**

A: It's an incentivised approach. In some respects it is relatively low risk. There is risk there, but we are sharing it with John Laing. With the safeguards there is more chance of work going forward and it actually taking place.

We have transparency of the company in terms of finances and we are very clear about the costs of development. Although we are sharing in the risk we are sharing in the development of that risk so we are very clear as to what we are getting ourselves into.

We have safeguards in terms of shareholder consent matters to enable us to say we don't like this one, it doesn't stack up financially for us, and ask the company to look at it again. If the company says it cannot deliver or it says, actually we don't want to do this, the site can come back to us and we can go back to the open market.

So let's say John Laing says it’s too small a site to develop, and as long as they confirm they do not want to pursue that, then we can go out to the open market and find perhaps a local developer who would be prepared to take it forward.

Because of the safeguards it is a lower risk, it's not without risk.

Q: **When will you know if the company is a success or failure?**

A: When the first site starts to come forward and we actually start to see it being built, and that we have the right impact in terms of what's happening on the ground.

That will be the key to whether it is working. By 2010 we should have at least one or two planning applications coming forward and work starting. Those will be the key tests for the company.

Q: **What are the first sites to be developed by the company?**

A: Southborough, John Street car park in *Royal* Tunbridge Wells and Cranbrook council offices - these are three key sites in this process. I suspect Cranbrook and John Street car park will be coming forward soon.

Southborough is slightly more confusing because the Co-Op sold their plot of land and we want a comprehensive development, we don't want two separate applications going in.

We would like one application, even if there are two developers. But we want one application for a comprehensive development. It could be tricky.

But the good thing is it's in the development plan as a mixed use site and we could bring that site forward in the existing policy designation.

Q: **What are you thinking of putting on those other sites?**

A: If you look at John Street, it's currently a car park, relatively unregulated, and it's free to use. We'll probably be looking at infill to the front on to the A26.

We'd be wanting to retain an element of car parking on the site, primarily short stay to keep space for shoppers, and residential and commercial development.

I think we'd reduce the number of spaces but rather than a pot-holed filled car park we'd be looking at something controlled so businesses could benefit from short stay car parking which they don't necessarily have at present.

In Cranbrook we are waiting to see what the company will come forward with. It's still at a very early stage. I suspect it would be more of a residential scheme.

Q: **What are the other 34 sites?**

A: We haven't formally published all 38 sites only due to aspects like planning blight and because some of them may never come forward.

Some of the others are The Town Hall site, Calverley Terrace, the Assembly Hall Theatre, in this so-called block in central *Royal* Tunbridge Wells.

In Southborough there's 137 London Road and Yew Tree Road car park and in Cranbrook the offices.

In addition, we are looking at regeneration around the Ramslye area in terms of the number of units. We are talking to Town and Country Housing who is the majority landowner in that area to see if it some work they would like to take forward, and also in some places around Showfields.

In Paddock Wood it's pretty much the two car parks. But we haven't made the full list available because some of the sites might not come forward and even some of those there might not be an opportunity for the company there.

Is Tunbridge Wells Borough Council gambling our assets away?

Friday 13 November 2009

Lee Moran, The Courier

– **"Tunbridge Wells Regeneration Company"**
How the company works, and its perceived pros and cons.

It is almost one year since Tunbridge Wells Borough Council signed an unprecedented deal with property developer John Laing to regenerate four towns in the area – *Royal* Tunbridge Wells, Southborough, Paddock Wood and Cranbrook.

The idea is to share the council's land with John Laing's cash to make even more money for the taxpayer and regenerate the areas in an appropriate way. But views are mixed on the 10-year project, which is the first of its kind in the UK. While some people think it will mean towns are regenerated in the best possible way, others are uneasy about a council being so tied in with a developer.