

Executive Board Decision



BLACKBURN
with
DARWEN
BOROUGH COUNCIL

REPORT OF:	Executive Member for Finance and Governance, Executive Member for Growth and Development
LEAD OFFICERS:	Director of Growth & Development
DATE:	9 th July 2020

PORTFOLIO(S) AFFECTED:	Growth and Development
WARD/S AFFECTED:	Darwen East
KEY DECISION:	No

SUBJECT:

Disposal of land at Chapels Park South, off Goose House Lane, Darwen

1. EXECUTIVE SUMMARY

- 1.1 To seek approval to sell 4.7 acres of commercial development land at Chapels Park South, Darwen ("the Site"), as illustrated on the plan attached at Annex A, to Barnfield Blackburn Ltd.
- 1.2 To seek approval to increase the Council's level of investment in Barnfield Blackburn Ltd and to authorise the appointed Council officers to complete the purchase of the site.

2. RECOMMENDATIONS

That the Executive Board:

- 2.1 Notes the site at Chapels Park South is heavily constrained with significant abnormalities limiting development.
- 2.2 Notes that Barnfield Construction Ltd submitted the highest tender offer for the site following a competitive procurement exercise conducted by Council officers.
- 2.3 Approves the alternative proposal submitted by Barnfield Construction Ltd for a subsidiary joint venture company, Barnfield Blackburn Ltd, to acquire the Site in lieu of Barnfield Construction Ltd.
- 2.4 Notes the success Barnfield Blackburn Ltd has had with securing external funding for the challenging site at the former Lower Darwen Paper Mill. It is expected Barnfield Blackburn Ltd will be in a position to apply for future infrastructure funding as part of any Lancashire economic recovery plan to accelerate delivery.
- 2.5 Authorises the Director of HR, Legal and Governance to complete the necessary legal formalities in disposing of the Site.
- 2.6 Approves the increase in investment in Barnfield Blackburn Ltd of which the Council is a shareholder and authorise the appointed Council officers to complete the necessary legal formalities to purchase the Site.

3. BACKGROUND

3.1 Chapels North and South sites were originally offered for tender through the Council's development framework partners via CHEST with a deadline for submissions of July 2019.

3.2 One bid of was received from Barnfield Construction Ltd, conditional on planning and any abnormal costs to be deducted. Overhead power lines cross the southern site, and with diversion costs taken into account the bid resulted in a negative land value to the Council. Another less attractive bid was received from a party outside of the development framework, which was subsequently discounted.

3.3 Revised bids were requested, with the option to bid for the North and South sites together or separately. Deadline for submission was October 2019.

3.4 One bid was received from Barnfield Construction offering equal amounts for the northern site and southern sites separately, conditional on planning and with any abnormal costs to be deducted.

3.5 In December 2019 the northern site was identified as being required by the Council for an alternative operational use and therefore a final revised bid was requested for the southern site only, to be conditional solely on planning with all abnormal costs accounted for.

3.6 A final bid was received from Barnfield Construction for the southern site only, conditional only on planning. Barnfield also provided an alternative offer to acquire the site through Barnfield Blackburn Limited (of which the Council is shareholder) for a similar amount, conditional only on planning. Acquisition by the joint venture may assist in funding bid applications – eg. for service diversions and would also allow the Council to receive a share of any site overage. The bid proposed construction of approximately 40,000 sq. ft. of industrial space.

3.7 It is therefore proposed that the Council increases its investment in Barnfield Blackburn Ltd, to reflect the Council's shareholder responsibility for the purchase. Upon disposal following development the Council will receive the first profits generated up to the level of the additional investment provided. Land proceed profits in excess of the purchase price will be paid as shareholder dividend, as per the existing joint venture agreement.

4. KEY ISSUES & RISKS

4.1 Barnfield Construction Ltd has submitted a compliant tender bid with an acceptable scheme and were the only framework partner to bid for this heavily constrained site. An attractive alternative proposal has also been received through Barnfield Blackburn Ltd. It is recommended that the Council proceeds with the transaction with BBL.

4.2 Should the transaction not be completed as a BBL project then the Council may be unable to secure necessary funding for the utility diversions required to realise the site's development value, and therefore the site may continue to sit undeveloped.

4.3 An additional monetary injection will be made to Barnfield Blackburn Ltd by the Council.

4.4 Initial discussions indicate that there is local end-user interest in the site for an employment use. However, due to the current national economic uncertainty, there is a risk that interest will reduce. This situation will be monitored as the Borough enters recovery.

5. POLICY IMPLICATIONS

5.1 The disposal method accords with the Council's approved policy for disposals.

5.2 The site is allocated for employment development within the Council's adopted Local Plan Part 2 (2015). The proposed disposal will help to progress delivery of essential employment development in accordance with the Local Plan, and will work towards meeting the Council's targets for employment land completions and job growth.

6. FINANCIAL IMPLICATIONS

6.1 The Council will invest additional funds into the Barnfield Blackburn Ltd joint venture.

6.2 The first profits realised following the development of the site will be paid directly to the Council up to the level of the additional investment provided. Any future land receipt profits in excess of the initial purchase price will be paid as a shareholder dividend.

7. LEGAL IMPLICATIONS

7.1 The disposal method complies with the Council's legal obligations for such transactions and with the Council's Disposal Policy 2019 and in this case the author has demonstrated that this site, despite wide publicity, generated modest responses presumably because of its constraints, and so the Council can demonstrate best consideration has been obtained.

7.2 Council Officers connected with Barnfield Blackburn Limited as directors have not been involved in this matter to avoid a potential conflict of interest and will (if necessary), update the register of interests.

7.3 The Council appreciates that elements of the proposed particulars of the financial investment and return on investment are matters which will probably need to be documented by Barnfield Blackburn Limited as company's resolutions and share agreements as suitably advised at the time.

8. RESOURCE IMPLICATIONS

8.1 Legal and surveyor resources will be required to complete the transaction

9. EQUALITY AND HEALTH IMPLICATIONS

Please select one of the options below.

Option 1 Equality Impact Assessment (EIA) not required – the EIA checklist has been completed.

Option 2 In determining this matter the Executive Member needs to consider the EIA associated with this item in advance of making the decision.

Option 3 In determining this matter the Executive Board Members need to consider the EIA associated with this item in advance of making the decision.

10. CONSULTATIONS

10.1 The proposal has been subject to consultations between Council Officers, Executive members, and Legal and Planning departments. Public consultation will take place on receipt of any future planning application for development of the site.

11. STATEMENT OF COMPLIANCE

The recommendations are made further to advice from the Monitoring Officer and the Section 151 Officer has confirmed that they do not incur unlawful expenditure. They are also compliant with equality legislation and an equality analysis and impact assessment has been considered. The recommendations reflect the core principles of good governance set out in the Council's Code of Corporate Governance.

12. DECLARATION OF INTEREST

All Declarations of Interest of any Executive Member consulted and note of any dispensation granted by the Chief Executive will be recorded in the Summary of Decisions published.

CONTACT OFFICER:	Alex Wildman, Strategic Development Manager (Commercial)
DATE:	08 th June 2020
BACKGROUND PAPER:	None