
Report to Council

Date of Meeting: 8th March, 2012

Subject: Capital Stimulus Initiatives

Report by: Director of Services to Communities

1.0 Introduction

- 1.1. As part of the Capital Budget approved by Council on 9th February, 2012, a series of political priority investments was included. Among these was an initiative referred to as a 'Capital Stimulus Fund'. While no specific financial allocation was agreed, the report commentary confirmed that a paper would be presented to a future Council meeting setting out the mechanisms and criteria for the establishment of such a fund. The purpose of this report is to propose new initiatives to stimulate the local economy.
- 1.2. Insofar as capital investment is considered to be crucial to economic growth this report also sets out the various actions which the Council is currently taking to accelerate growth and job creation together with particular actions which could serve to stimulate further sustainable development.

2.0 Recommendations

It is recommended that the Council adopts and progress the three economic stimulus initiatives contained in this report.

3.0 Background

- 3.1. It is a top priority of the Scottish Government to increase sustainable economic growth insofar as this is seen as an effective means of unlocking the country's potential during these challenging economic times. This is particularly important in the context of reductions in public expenditure, including in capital investment budgets, which may serve to threaten any recovery in the wider economy.
- 3.2. Actions to accelerate growth and create jobs across established strategic priorities of the Council include:-
- 3.2.1 **Capital Investment** : The recently approved capital programme seeks to prioritise spend on crucial infrastructure investment to maximise economic impact while also improving the overall quality of life in local communities.

Key actions in this area include significant increases in funding for the upgrading of Primary Schools and structural maintenance of roads and associated infrastructure.

3.2.2 Town Centre Renewal : Again, the recently approved capital investment in the Kilncraigs Complex and the proposed conversion of the Speirs Centre is injecting over £10 million into Alloa Town Centre's ongoing regeneration. This is soon to be augmented by private investment in converting the former Drysdale Street Library to a state-of-the-art Dental practice. J.D. Wetherspoon have also received planning consent for the conversion of the nearby former co-op store and there are potentially plans for the redevelopment of the adjoining former Co-op Department store.

3.2.3 Development and Sale of Surplus Property : Plans to redevelop and convert surplus Council-owned property in Alva, Tullibody and Tillicoultry to create much needed social housing are well under way and, subject to planning consent, the Council is poised to conclude the sale of the former Alloa Academy site. The latter would stimulate the development of some 100 open-market houses to further address the wider housing supply problem.

3.2.4 Partnership Working : The Kilncraigs project, mentioned above, involves an innovative approach to stimulate private capital investment through the formation of a tax-efficient special purpose vehicle. The Council is also currently working with the Scottish Futures Trust to help leverage new investment from private house builders through the National Housing Trust. It is expected that a further report on this initiative will be tabled at a future Council meeting.

3.2.5 Public Procurement : Increasing the Council's direct contribution to the local economy and job creation through smart use of public procurement is a further priority. A separate report on how the Council can help promote jobs and growth while legitimately assisting local firms to compete effectively for contracts is on today's Council agenda.

3.3 Notwithstanding the above measures, and given that capital investment is considered to be crucial to sustainable economic growth, further thought has been given to what additional action could be taken to stimulate capital investment while enhancing the local community.

4.0 Further Economic Stimulus Actions :

a) Development Options on Key Surplus Development Sites :

4.1 While the Council is continuing to prioritise the conversion and re-use of non-operational properties, it remains the case that surplus property is otherwise difficult to sell in these challenging market conditions. Consequently, several proposed transactions have either stalled or collapsed and there is significant uncertainty regarding the effectiveness of marketing surplus development sites on the open market.

4.2 Recent evidence has demonstrated that bidders tend to over-estimate the properties' value as a means of merely securing a preferential negotiating position. A significant amount of time and staff resource is typically wasted in ongoing negotiations whilst preferred bidders seek to substantially discount

the offer price. During this lengthy process, there is obviously no capital investment, the properties are degenerating in physical appearance and the emphasis is usually on quantity (the financial consideration) rather than quality (the proposed layout and design).

- 4.3 Consequently, it is considered that a different approach could be piloted, involving, say, three priority development sites, whereby a greater emphasis would be placed on inviting genuine development interest, quality design and potential partnership in advancing agreed development proposals. As such, the intention would be to secure well-designed capital projects that are capable of implementation, potentially with the Council's direct involvement.
- 4.4 Details of how Developers, Investors, Designers, or a combination of all three, would be invited to participate in such an initiative have yet to be determined. However, it is envisaged that the surplus sites would be marketed in such a way as to invite a viable development scheme within a given timescale rather than solely an offer price. The Council would then consider any proposed schemes with a view to completing an 'option' with the successful party in order that they can then advance the project in further detail. Likewise, an approach which emphasised community participation at the design stage would hopefully reduce uncertainty and friction during the formal planning process.
- 4.5 As such, and given their public prominence, the following surplus development sites are considered suitable for marketing on the above basis :-
- a) Former Tullis Site, Tullibody
 - b) Former Alva Academy Site, Alva and
 - c) Former Community Centre Site, Tillicoultry.
- 4.6 Beyond the current and proposed Development Plan provisions, interested parties would be invited to submit realisable and well-designed schemes for their proposed uses alongside associated community benefits and the potential financial consideration. The latter may involve several options depending upon the opportunity for any proposed direct investment by the Council. Interested parties would be invited to formulate innovative funding arrangements and opportunities to leverage in new sources of investment (e.g.pension funds). Ultimately, it is envisaged that the District Valuer would be retained to advise the Council on achieving the best consideration.

b) Recycling The Proceeds Of Investment Property Sales :

- 4.7 In creating its economic development and investment joint venture company (JVC), the Council utilised undeveloped public land at Alloa West, and Dumyat, Tullibody to stimulate private investment and European funding of speculative business premises. While over £11 million has been attracted to fund some 157,000 sq ft of business space it is the case that little or no recent speculative development has been possible due to the recession. As such, at the Council meeting on 5 November 2009 it was agreed that in seeking to terminate its interest in the JVC the Council would aim to recover the balance of undeveloped land for open-market sale and development.
- 4.8 To date, the Council has approved the speculative sale of two services plots which are presently subject to ongoing negotiation and regulation. On receipt

of any sale it is proposed that a Capital Investment Fund is created so that further monies are available to service the adjoining undeveloped business sites at Alloa and Tullibody. Thereafter, it is considered that the proceeds of further investment site sales would be used, subject to Council approval, to acquire vacant, derelict or underused land or buildings in order to advance their early development. This could involve land-assembly or vacant premises in town centres and while the emphasis would be on securing business development there would also be the opportunity to secure suitable accommodation for much-needed residential purposes.

- 4.9 As such, it is proposed to use the existing investment assets as the basis for creating a revolving capital investment fund to stimulate intervention on vacant, derelict and underused business premises. Where possible it would be the intention to identify future investment priorities and proposed uses by means of the statutory Development Plan.
- 4.10 It is considered that the Council would review the Capital Investment Fund on an annual basis such that any excess funds could be utilised for wider corporate priorities and any need for short-term funding could be secured from the Capital Programme. Likewise, it is not envisaged that the Fund would be used in instances where a viable 'Spend to Save' proposal can be formulated.

c) Spend to Save Fund :

- 4.11 It is not envisaged that any Capital Investment Fund arising from the sale of investment property would be used in instances where a viable 'Spend to Save' proposal can be formulated. As such, the Council could directly invest in economic development projects from its Capital Programme where the specific business case demonstrates that it is viable.
- 4.12 Within the context of the Prudential Code, the Council must satisfy itself that the increase in debt financing costs will remain affordable. The current capital programme, reinforced by the Council's Investment Strategy, is to minimise additional borrowing.
- 4.13 However, the approved Financial Strategy does make clear that borrowing to expand the capital programme can be appropriate where the borrowing can be backed by equivalent internal funds (i.e. Spend to Save). As such, there is potential for a Spend to Save Fund for capital in operation along the same lines as the current revenue fund. In this case bids would be sought for capital investment schemes that support economic development and can demonstrate that the additional capital financing costs will be more than off-set by reductions in ongoing running costs of existing services or facilities.

5.0 Conclusion

- 5.1 Beyond the established measures which the Council is taking to stimulate economic growth the report suggests three further initiatives, which could be pursued in whole, or part, to boost the local economy and enhance the local environment.

6.0 Corporate Considerations

- 6.1 *Financial Implications* : As stated in the body of the report.
- 6.2 *Staffing Implications* : There are no direct staffing implications as a consequence of the reports recommendations.

7.0 Exempt Reports

- 7.1 Is this report exempt? Yes ☐ (please detail the reasons for exemption below) No ☒

8.0 Declarations

The recommendations contained within this report support or implement our Corporate Priorities and Council Policies.

- (1) **Our Priorities 2008 - 2011** (Please double click on the check box ☒)

- | | |
|--|-------------------------------------|
| The area has a positive image and attracts people and businesses | <input checked="" type="checkbox"/> |
| Our communities are more cohesive and inclusive | <input type="checkbox"/> |
| People are better skilled, trained and ready for learning and employment | <input type="checkbox"/> |
| Our communities are safer | <input type="checkbox"/> |
| Vulnerable people and families are supported | <input type="checkbox"/> |
| Substance misuse and its effects are reduced | <input type="checkbox"/> |
| Health is improving and health inequalities are reducing | <input type="checkbox"/> |
| The environment is protected and enhanced for all | <input checked="" type="checkbox"/> |
| The Council is effective, efficient and recognised for excellence | <input type="checkbox"/> |

- (2) **Council Policies** (Please detail)

9.0 Equalities Impact

- 9.1 Have you undertaken the required equalities impact assessment to ensure that no groups are adversely affected by the recommendations?
Yes ☒ No ☐

10.0 Legality

- 10.1 It has been confirmed that in adopting the recommendations contained in this report, the Council is acting within its legal powers. Yes ☒

11.0 Appendices

11.1 Please list any appendices attached to this report. If there are no appendices, please state "none".

None.

12.0 Background Papers

12.1 Have you used other documents to compile your report? (All documents must be kept available by the author for public inspection for four years from the date of meeting at which the report is considered)

Yes ☐ (please list the documents below) No ☒

Author(s)

NAME	DESIGNATION	TEL NO / EXTENSION
Garry Dallas	Director of Services to Communities	01259 452531

Approved by

NAME	DESIGNATION	SIGNATURE
Elaine McPherson	Chief Executive	Signed: E McPherson