

Investment Board – 16 January 2019

Minutes of the meeting of the **Investment Board** held on **16 January 2019** when there were present:-

Chairman: Cllr M J Steptoe
Vice-Chairman: Cllr A L Williams

Cllr T G Cutmore
Cllr D S Efte
Cllr A H Eves
Cllr N J Hookway
Cllr G J Ioannou

Cllr M J Lucas-Gill
Cllr I H Ward
Cllr M J Webb
Cllr S A Wilson

VISITING MEMBERS

Cllr N L
Cllr M Hoy
Cllr D J Sperring

APOLOGIES FOR ABSENCE

Apologies for absence were received from Cllrs C C Cannell and Mrs J R Gooding

SUBSTITUTES

Cllr C M Stanley for Cllr C C Cannell

OFFICERS PRESENT

S Scrutton - Managing Director
A Hutchings - Strategic Director
N Lucas - Section 151 Officer
M Harwood-White - Assistant Director, Commercial Services
D Tribe - Assistant Director, Transformation
M Power - Democratic Services Officer

ALSO PRESENT

L Summersgill - Director of Gleeds

10 MINUTES

The Minutes of the meeting held on 14 November 2018 were agreed as a correct record and signed by the Chairman.

Cllr A H Eves stated that at the 14 November 2018 meeting the Investment Board had resolved to note rather than to agree the Strategic Outline Case (SOC) that set out various development, delivery and disposal options for the key strategic sites for a potential Asset Delivery Programme. However, he maintained that the 'preferred option' for delivery within the SOC had been

extensively publicised in the press and social media prior to consideration of the Outline Business Case by the Board. Cllr Eves requested that this issue be referred to the appropriate officers within the Council.

11 **OUTLINE BUSINESS CASE: ASSET DELIVERY PROGRAMME**

The Board considered the report of the Section 151 Officer and Assistant Director, Commercial Services seeking approval of the Outline Business Case (OBC) for the Asset Delivery Programme and approval to progress the Asset Development Programme through a procurement process to select a development partner.

Cllr G J Ioannou, the Portfolio Holder for Enterprise, presented the report that provided a summary of the aims of the OBC in delivering the Council's strategic objectives and the next steps to advance to a Full Business Case. Questions from Members that had been received in advance of the meeting would be addressed during the course of the meeting.

Cllr D J Sperring presented a brief summary of the work of the Member Working Party, in liaison with the consultants, Gleeds, and officers, on progressing the OBC for the Asset Delivery Programme. Members felt that a Member Working Party should continue to be closely involved in the project and that other Members of the Council could be involved going forwards.

L Summersgill from Gleeds provided an overview of the OBC and the 'preferred option' for delivering the Council's development programme.

In response to questions, the following was noted:-

- Once expressions of interest submissions from prospective tenderers were received at the Pre-Qualification Questionnaire (PQQ) phase of the procurement process, it was likely that around three companies would be progressed through to the detailed tender stage.
- The Council could bid for any applicable regeneration grants that are available, if appropriate, at the time.
- In terms of the commitment in the Council's business plan objective of maximising assets with regard to social purpose, the proposals in the OBC were on a policy compliant basis in terms of the affordable housing requirement. The preferred option in the OBC included a refurbished community space for the Council and community use at the Freight House and a new Council main office at this site. It also included the redevelopment of a suitable proportion of the ground floor of the Mill Arts and Events Centre site for Council and community use. The Council's Asset Strategy and Asset Disposal framework set out the Council's approach to asset development and disposal.
- A Member commented that, although it was recognised that working practices would be improved as a result of the development proposals, the

stated saving of £330,000 that could be achieved each year on the current running costs of assets could equally be achieved by the sale of the two properties.

- The OBC set out that there will be a net cost of circa £600,000, based on current assumptions, to fund the programme. The capital receipts from the disposal of Council assets might not be available in time to fund the cost of development of the new build. The Council had sufficient reserves to bridge this funding gap; alternatively, it could choose to use short-term borrowing. A decision would be made at the appropriate time.
- As the Council no longer had a Housing Revenue Account, it could not hold housing stock directly. Operationally, the Council was not set up to run a housing company on a scale that would be financially viable. Therefore, the Council would not be able to develop and operate social housing directly in order to increase the stock of social housing in the District. However, when the Council's sites come up for disposal, housing providers would be notified as per the Council's Disposal Framework.
- The approach to risk and optimism bias in the project, and how these are addressed and mitigated against, was detailed within the OBC. A prudent approach towards risk management and optimism bias had been followed when forecasting the financial implications of the programme.
- The preferred option for the programme of works provided for a flexible space at a redeveloped Mill Arts and Events Centre site being retained as a community hub, which would provide residents with community facilities in a town centre location. Similarly, the Freight House would provide community areas in a flexible chamber space.
- Option 2 offered the best way of delivering sustainability for the Council, by reducing future running costs by circa £300,000 per year compared to the Do Minimum option.
- Part of the PQQ stage of the procurement process was a review of the financial statements and track record of companies bidding to be the Council's development partner. This would reduce the likelihood of the contractor exceeding the budget agreed under the terms of the contract. The Council was unlikely to use one of the very large organisations, which would tend to take on high-risk contracts, due to the size of the programme
- Although consideration had been given to selling and developing the sites in-house, officers and the Member Working Party had concluded that this represented too high a risk for a local authority of the size of the Council, with no track record of delivering such a programme and without the resources required in-house. Other Councils that had undertaken self-build projects were larger than Rochford District Council and had experience in large-scale developments. A developer would expect to make 15-20% profit on the project, which was considered to be commensurate with the risk

involved.

- The OBC set out in detail the proposals for the provision of community facilities and services during the project period (following disposal of the assets but before the new builds were operational).

In view of the need for discussion of the Outline Business Case (exempt appendix) it was:-

Resolved

That the press and public be excluded from the meeting for the remaining business on the grounds that exempt information as defined in paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972 would be disclosed.

Further discussion is set out in the exempt appendix to the Minutes.

Resolved

- (1) That it be noted that, in line with the Council's Financial Regulations, the Section 151 Officer, in conjunction with Leader of the Council, had authorised £24,500 to be drawn down from General Balances to fund the advice/due diligence works required before the procurement phase could commence.
- (2) That the Asset Delivery Programme be progressed through a procurement process to select a development partner and the drafting of a Full Business Case, in consultation with the Member Working Party.
- (3) That the introduction of a Project Board be noted.

Recommended to Full Council

- (4) That the Outline Business Case for the Asset Delivery Programme, at the exempt appendix to the report, be approved and published (with appropriate redaction).
- (5) That a further £298,200 be drawn down from General Balances to fund the resources required to progress the Programme to Full Business Case stage.

The meeting closed at 9.03 pm.

Chairman

Date

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