

Southend-on-Sea Borough Council

Report of Corporate Director for Corporate Services

to

Cabinet

on

18 March 2014

Agenda
Item No.

Report prepared by:
Alan Richards - Group Manager, Asset Management

PSP Southend LLP – Project Approval
Policy and Resources Scrutiny Committee
Executive Councillor: Councillor A Moring

A Part 1 Agenda Item

1. Purpose of Report

- 1.1 To update Cabinet members on a project ready to be progressed through the Council's partnership PSP Southend LLP.

2. Recommendations:

- 2.1 That Cabinet notes that the disposal of Saxon Lodge was agreed by Cabinet 1 November 2011.
- 2.2 That Cabinet agrees to delivery of the development on Saxon Lodge through PSP Southend LLP in conjunction with the former Hinguar Primary School Site (already Opted in to the partnership) as set out in the report.
- 2.2 An Option Agreement is granted by the Council to the LLP for the Saxon Lodge site.

3. Background

- 3.1 On 14 June 2011, the Cabinet agreed to establish a Limited Liability Partnership (LLP) which has 50:50 representation and ownership by the Council and BV Strategies Facilitating Ltd. On 12 December 2011, the LLP was formally incorporated as PSP Southend LLP ("the LLP").
- 3.2 An Operations Board and a Members Board have been established and have met regularly since incorporation to review possible projects for the LLP to progress.

3.3 The Operations Board considers pipeline projects and makes recommendations to the Members Board which then decides whether to progress to delivery. As the Members Board is convinced of the merits of projects, they move through the key stages of the LLP project pipeline. These key stages are:

- Stage 1 (e1) Exploration
- Stage 2 (e2) Evaluation
- Stage 3 (e3) Examination
- Stage 4 (e4) Engage

3.4 As part of the 14 June 2011 Cabinet decision, it was agreed that any sites to be progressed through the LLP would be opted in by the Cabinet and thereafter, their progress through to delivery would be managed by the LLP to deliver the optimum commercial return.

3.5 On 7 February 2014, the LLP Board Members approved recommendations of the LLP Operations Board to progress the development of Saxon Lodge through the LLP alongside the Hinguar Primary School site to the final 'Engage' stage and to progress them through the LLP subject to the approval of Cabinet.

3.6 Cabinet agreed on 16 March 2010 for the *"Shelford House site to be designated for the re-provision of Saxon Lodge"* and *"That once the current residents of Saxon Lodge have been re-housed, Saxon Lodge site be available for alternative use as decided by Council"*. (minute 995 refers).

3.7 Cabinet then subsequently agreed on 1 November 2011 *"that it be noted that when the scheme progresses to completion, the Council will be able to sell the current Saxon Lodge site and receive a capital receipt"*. (minute 470 refers).

3.8 Therefore, whilst the Cabinet has agreed the disposal of Saxon lodge, it also needs to agree for it to be opted in to the LLP in accordance with 3.4 above. Saxon Lodge is due to be vacated in May/June 2014.

3.9 Whilst the detailed proposal is yet to be worked up, there are a number of benefits to delivery through the LLP over a standard disposal in the open market as set out below:

- There are opportunities to drive value out of both the Hinguar Primary School site and Saxon Lodge by delivering them together through:
 - shared site compounds, preliminaries and contractor mobilisations
 - optimising both private and affordable housing mix and layout
 - achieving economies of scale for developers in fees and materials
 - enabling efficient development phasing
 - Best value will be delivered through market bids from developers for the combined opportunity
 - The Council, through the LLP can retain a good degree of control.

3.10 It is therefore recommended, subject to the offers from developers delivering strong market values, that Saxon Lodge is opted into the LLP for delivery and ultimately disposal.

4. Other Options

- 4.1 The Council could sell the Saxon Lodge site itself, lose an element of control and take a direct market value without sharing in the development profit and the added benefits.
- 4.2 The Council could work Saxon Lodge up separately with an alternative developer however the added share of developer profit would not be captured as with the LLP proposal.

5. Reasons for Recommendations

The schemes are proposed to be recommended to Cabinet because the LLP will deliver best value to the Council.

6. Corporate Implications

6.1 Contribution to Council's Vision & Corporate Priorities

The proposals will assist the Council in the achievement of its Prosperous and Excellent aims and will help to enable well planned quality housing and developments that meet the needs of Southend's residents and businesses.

6.2 Financial Implications

The proposed schemes will deliver best value through delivery by the LLP – this is a fundamental requirement.

6.3 Legal Implications

The Council is required to follow procurement rules, comply with State Aid legislation and deliver best consideration in accordance with s.123 Local Government Act 1972. The LLP has retained solicitors will completed a report confirming that the Saxon Lodge disposal will meet these requirements at the next stage.

6.4 People Implications

Internal resources expended on the projects can be charged to the LLP and these costs are netted off the final financial position.

6.5 Property Implications

These are explained in the report and have been reviewed in detail by the Operations and Members Board.

6.6 Consultation

Any scheme will be subject to planning and to the usual planning consultations and planning process.

6.7 Equalities and Diversity Implications

Not applicable.

6.8 Risk Assessment

Risks will be managed through the LLP and a risk register prepared and maintained as appropriate throughout the project.

6.9 Value for Money

As set out in the report.

6.10 Community Safety Implications

These will be dealt with through the planning application.

6.11 Environmental Impact

These will be dealt with through the planning application.

7. Background Papers

Report to Cabinet 14 June 2011 Asset Management – Development Partnership



SS008 Asset mgt -
Development Partner

8. Appendices

Appendix 1 – Location Plan