

STRATEGY AND RESOURCES COMMITTEE

4 OCTOBER 2018

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Report Title	Delivery strategy for the redevelopment of Brimscombe Port
Purpose of Report	To provide the committee with details of the proposed delivery strategy for the redevelopment of Brimscombe Port, to approve the next steps and core grant funding for Stroud Valleys Canal Company.
Decisions	<p>The Committee RESOLVES to:-</p> <ul style="list-style-type: none"> a) approve the proposed delivery strategy for the redevelopment of Brimscombe Port by means of seeking a development partner/s subject to a further report to Committee by March 2019 to approve the Heads of Terms for the development agreement, the procurement process and associated documents. b) authorise the Head of Property Services to submit a detailed planning application for the infrastructure for phase 1 and 2 of the redevelopment of the Port and an outline application for the redevelopment of phase 1. c) to provide £50k per annum grant funding to Stroud Valleys Canals Company (SVCC) from 2020/2021 until the Port is redeveloped and is providing income at this sum or above (such sum to be index-linked to the consumer prices index). Any grant money will be reduced by the sum generated from the redeveloped port and reviewed in March 2024 if the redevelopment has not completed by that date. d) To delegate authority to the Head of Property Services in consultation with the Head of Finance and Chair and Vice Chair of this committee to agree amended terms for the £2m loan from Homes England to reflect the up to date project and programme and support the redevelopment of the site.
Consultation and Feedback	Consultation has taken place with the council's Investment and Development Panel, ward councillors, Brimscombe and Thrupp Parish Council, SVCC and CCT. Liaison meetings continue with tenants on the site and local residents. A public consultation event is to be held prior to the submission of the planning applications.
Financial Implications and Risk Assessment	<p>The infrastructure works to be the subject of the detailed planning application are contained within existing capital budgets.</p> <p>The Council's revenue budget includes provision for £50k grant funding and the indexation will be contained within the annual inflationary allowance in the MTFP. At such time as the grant ceases to be payable this will represent a revenue saving to the Council.</p>

	<p>The financial implications of a joint venture arrangement will be known after a procurement process and will be reported at that stage.</p> <p>There is a risk that not updating loan terms with Homes England could lead to a requirement for repayment. Amending the agreement is likely to mitigate this risk.</p> <p>Andrew Cummings – Head of Finance (Section 151 Officer) Tel: 01453 754115 Email: andrew.cummings@stroud.gov.uk</p>
Legal Implications	<p>The recommendations in this report, if adopted will enable the re-development scheme to be progressed to a stage where a development partner can be procured. It will be at that point that a significant legal assessment of the terms of procurement and the heads of terms of any partnership agreement will need to be provided through either internal or potentially external legal resources. At this stage there are no significant legal implications arising from the recommendations.</p> <p>Alan Carr, Solicitor Email alan.carr@stroud.gov.uk Tel 01453754357</p>
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Options	<p>The Council could choose not to proceed with the redevelopment of the Port</p> <p>In redeveloping the Port it could decide not to seek a development partner for the redevelopment project and instead, either dispose of the site on the open market, or redevelop the site itself. These options for redevelopment are set out and compared in the report at Appendix B.</p>
Performance Management Follow Up	<p>Update reports are to be brought to Investment and Development Panel and a report will be brought to this committee by March 2019 recommending the Heads of Terms for the procurement process.</p>
Background Papers/ Appendices	<p>Appendix A - Site Plan, Phase 1 Appendix B - Assessment of the delivery options for the Brimscombe Port Development (Perfect Circle)</p>

1.0. Introduction

- 1.1 Following the approval by the Committee on 26 April 2018 to an allocation of a further £1.6 million of capital funding towards the infrastructure costs (to provide total funding of £4.1m to enable a development partner to be sought for the redevelopment of Brimscombe Port), progress has been made on establishing the route to take to select a partner. The purpose of this report is to seek approval to the delivery strategy which sets out the proposed procurement process for phase 1

of the development (see Appendix A), the role that the Council would take in that process and the level of risks associated with the proposed approach.

- 1.2 This report seeks approval to the proposed procurement approach to enable a consultant to be appointed to develop the necessary documentation prior to returning to committee by March to recommend approval to the Heads of Terms and to the commencement of the procurement process.
- 1.3 The report also provides an update for members on the other key issues that need addressing prior to progressing with the redevelopment.

2.0 The Delivery Strategy for the Redevelopment of Brimscombe Port

- 2.1 **Stage 1** - In order to progress with the procurement of a partner, Perfect Circle JV Ltd was appointed to assist us with advice and support in assessing the delivery options available to the Council. The first step in the process was for the consultant to engage with senior stakeholders to establish which of these would be the most appropriate means of progressing the scheme and a workshop session was held on the 9th July with members of Investment and Development Panel, SVCC the Parish Council and key officers.
- 2.2 Based on the outcomes from this workshop, and feedback obtained from soft market testing the consultant has now proposed a delivery strategy for the Council, integrated with the current design activities and pursuit of consents for flood alleviation and masterplan works, and in particular has:
 - considered financial structures based on the preferred option from above;
 - Refined the scale, mix and tenures of accommodation to be provided to optimise the scheme in line with Council expectations and the requirements of the market through a range of development appraisals that reflect these different commercial structuring options;
 - Undertaken soft market testing with potential partners to establish market appetite and refined the proposal in order to stimulate competition in the OJEU tender process to follow.
- 2.3 The outcome of this first stage is a report on the delivery strategy which is attached at Appendix B.

Based on:

- the projects desired outcomes, (see sections 4.2 and 4.3 of the report)
- work completed to date by the council
- the council's appetite for risk/reward as expressed in the workshop
- feedback from developers
- a positive development appraisal and
- a comparison of the different delivery options (see section 6, Appendix B)

it is recommended that the council proceeds with the redevelopment of Brimscombe Port by seeking a development partner and submits planning applications to support this (full for the infrastructure works and outline for the housing, commercial, community facilities and public realm for phase 1 of the site – see below).

- 2.4 **Planning applications** - With regard to the design of the necessary infrastructure to take the site out of the flood plain and to create a new access to the site, Atkins has been progressing the detail of the design in consultation with the Highways Authority and the Environment Agency (EA) and the flood modelling is expected to be submitted to the EA shortly.
- 2.5 A planning application is being prepared for the infrastructure for the whole site (phases 1 and 2) , which will include the canal, basin, new access road into the port and the road, bridge and canal and river crossing under Brimscombe Hill, with the submission of the application due to made in the autumn of 2018. This remains subject to third parties (in particular the EA) providing their approvals within the agreed timescales.
- 2.6 In addition all the investigations and surveys that SDC has undertaken to support the infrastructure design and work done to de-risk the site means that it is also in a position to submit an outline for the development site, i.e. phase 1 as proposed by Perfect Circle. The applications may be submitted as a hybrid or consecutively, depending on the final documentation required.
- 2.7 Public consultation will take place prior to the submission of these planning applications.
- 2.8 **Stage 2** - As the conclusion of this first stage is that there is a positive way to take the scheme forward in a commercially viable manner, and subject to approval from committee to the delivery strategy, a proposal is being sought from Perfect Circle to carry out stage two of the process which is to help enact this strategy and secure the delivery partner. Their appointment for stage two is subject to committee giving its approval to proceed with this next stage.
- 2.9 It is proposed that following approval of the delivery strategy, Perfect Circle will, in consultation with the Project Board, prepare the necessary documentation, to enable us to commence an OJEU compliant procurement process, to include the Development Agreement, Pre Qualification Questionnaire and Invitation to Tender. Prior to commencement of the procurement process a further report will be presented to Strategy and Resources to approve the Heads of Terms of the procurement process and development agreement.

3.0 The Transfer of Brimscombe Port from SVCC to the Council

- 3.1 Members will be aware that the council requires the freehold interest in Brimscombe Port as part of the loan agreement with Homes England (formerly the HCA) and before it spends any further funding, but also to simplify the delivery of the project and indeed the management of the site.
- 3.2 Negotiations have been protracted because of the need to be able to agree terms that will meet SVCC's charitable objects (and satisfy the Charities Commission in relation to the transfer) and its need to receive an ongoing income stream from the site and protect the route of the canal and basin.
- 3.3 Terms have now been agreed and it is anticipated that solicitors will have been instructed by the time of this meeting .The intention is that the transfer completes by the end March 2019 and before the council starts the process to procure a development partner.

3.4 It should be noted that the terms for transfer include the continuing provision of £50k per annum (index linked) from the council to SVCC for maintenance of the canal, subject to the approval of this committee. The expectation is that this is replaced by income generated from moorings, surface water drainage etc. once the site is redeveloped. This reflects the original position when SVCC was set up to hold Brimscombe Port and was allowed by HE to retain £50k of the surplus income arising from the management of the site.

4.0 Core Funding for Stroud Valleys Canal Company (SVCC)

4.1 In October 2015 the council, having taken on the management of Brimscombe Port agreed to grant fund SVCC directly, rather than from the surplus income from the management of the Port. The Port income was lower at that time and can fluctuate significantly depending on rent and occupation levels, its use is also subject to HE's discretion. Instead the surplus of the Port has been accrued towards the funding of the redevelopment of the site.

4.2 The grant funding from the council was approved until 2019/2020 and then it was due to be reviewed. This was the earliest redevelopment would start and income from moorings etc. would be possible from the site. This date is now anticipated to be 2022/23.

4.3 Securing future income has been a key part of SVCC's concern in negotiations for the transfer of the freehold of the Port to the council, and the sustainability of the restored canal is clearly important to all the partners involved and critical to the recent Heritage Lottery Fund bid, protecting the capital investment made.

4.4 In the absence of income from boating and other canal use, SVCC uses this funding to provide equipment and materials to maintain and enhance the canal. Dredging, for example, is an ongoing need due to low boat traffic and the presence of river flow within the canal. The popularity of the restored canal and towpath also drive up maintenance costs – for example, towpath wear and tear. In effect, the restored canal represents a linear public and wildlife amenity, which inevitably requires maintenance.

4.5 The actual maintenance work is carried out by volunteers. Thus this sum is being used as cost effectively as possible. In effect, it enables volunteers to do their work, but at a total cost of much less than if contractors were being used.

4.6 The Board of SVCC has requested that this sum should be index-linked. It has been fixed for at least 6 years, resulting in a substantial decrease in real terms. At the same time, its costs are increasing due to restoration of more canal and associated features (such as new bridges), its increasing popularity and the increasing need for dredging. In addition, the 2017 bid to the Heritage Lottery Fund assumed ongoing support from SDC for maintenance of the restored canal.

4.7 It is therefore recommended that the council continues to grant fund SVCC until the income from the redeveloped Port is secured. Any grant money will be reduced by the sum generated from the Port at that time, but reviewed in March 2024 if the redevelopment has not completed by that date. The need to provide for income to SVCC is contained within the development brief for the Port.

5.0 The Loan Agreement between the Council and Homes England

- 5.1 The loan agreement was agreed in 2015, since when significant progress has been made with the infrastructure design and up to date costings. There is a need to review and amend the agreement before the council proceeds with committing any of the additional £2m it provides to reflect the current proposed phasing of the project and altered programme.
- 5.2 Homes England has already confirmed it is happy, in principle, to amend the agreement and work has started on this.

6.0 Recommendation

- 6.1 It is recommended that the Committee approves the next stage to progress the redevelopment of Brimscombe Port, the transfer of its freehold interest and that an updated loan agreement with Homes England loan is negotiated to reflect the current project and anticipated programme.