

19th June 2018

Policy, Projects and Resources Committee

Asset Development Programme Update

Report of: *Chris Leslie – Commercial Manager*

Wards Affected: *All*

This report is: *Public*

1. Executive Summary

- 1.1 The aim of the Council's Asset Development Programme ("ADP") is to realise the potential of the Council's property asset base so as to deliver improved revenue streams from the portfolio but at the same time securing the regeneration, economic development and housing objectives of the Council. This report provides an update on the work of the Asset Development Programme Project Board ("Project Board") to date.
- 1.2 This report outlines the progress made by the Project Board on a) the Joint Venture Partner Procurement, b) the wholly owned Company (Seven Arches Investments Ltd), c) the Early Successes Programme and other in-house items including the Memorial Wall project.
- 1.3 It requests a £30m loan drawdown "facility" (including the £10m already approved) for investment purposes by Seven Arches Investments, and for the Council to borrow from the market to fund this facility.

2. Recommendation(s)

- 2.1 **To approve the Asset Development Programme Governance Structure and Terms of Reference for the Project Board.**
- 2.2 **To approve a total £30m loan drawdown facility (Including the £10m already approved) to Seven Arches Investments Ltd and that delegated power be given to the Chief Finance Officer in consultation with the Chair of PPR Committee and Group Leaders or their deputies to approve the use of the drawdown facility.**
- 2.3 **To approve the Council to borrow up to £30m to provide this facility.**

3. Introduction and Background

- 3.1 The Project Board advises on all projects relating to the ADP, which includes projects relating to Corporate Asset Management, Property Joint Venture Partnerships and Seven Arches Investments Ltd. It will in turn be informed by the work of the Corporate Asset Management Group.
- 3.2 On 19 September 2017 this Committee approved a hybrid approach for delivering the asset development programme. The hybrid approach involves the self-development of simple sites by the Council, while more complex sites would be undertaken jointly between the Council and a procured joint venture partner.
- 3.3 To maintain a revenue stream for the Council the self-developed sites will be leased out on a commercial basis. The Localism Act 2011 allows local authorities to do anything an individual can do. However, section 4 of the act requires that any commercial activity must be undertaken through a company.
- 3.4 Therefore, to comply with the requirements of the Localism Act 2011 the Council established a wholly owned company, Seven Arches Investments Ltd (“SAIL”) on 12th April 2018.
- 3.5 The wholly owned company will seek to engage in a variety of commercial activities that will be asset based initially, and subject to appropriate business cases and financial sustainability could be extended into other areas such as service provision.
- 3.6 Sites developed with a partner may also require the establishment of a separate company to comply with legislative requirements and to formalise the partnership. This will likely be in the form of a limited liability partnership (LLP) with ownership split 50:50. The best arrangement will be assessed through the procurement process, currently underway.

4. Loan Drawdown Facility

- 4.1 The Project Board has received several initial investment opportunities that have been presented by the appointed property investment advisors. From these opportunities and the recommendations of the property investment advisors it became apparent that access to a loan drawdown facility would be more advantageous given the need to act quickly in the commercial world.
- 4.2 The drawdown facility allows more than one potential investment to be pursued at a time, preventing lost opportunities for relatively small amounts

and allowing greater diversification. It also allows the company to operate in a more commercially competitive manner.

- 4.3 Approval is therefore now being sought to set up a “loan drawdown facility” of £30m to be set aside for use by SAIL for investment purposes. This will include the £10m already approved but will give flexibility for when future investments become available, and funds will need to be readily accessible. This will be administered by the Chief Finance Officer in consultation with the Chair of PPR.

5. Progress to date – Joint Venture Partner Procurement

- 5.1 Following the publication of an OJEU Notice and a dedicated website on 23rd March 2018 there were 15 organisations who submitted applications by the deadline of 4th May.
- 5.2 The 15 bids have been evaluated based on who best meet the Selection Questionnaire (SQ) criteria and the successful 5 have been put forward to Competitive Dialogue and to submit detailed solutions.
- 5.3 First competitive dialogue commenced on Monday 11th June, with further dialogue session taking place over the coming months. The procurement timetable is shown in the following table:

Stage	Completion/Target Date
Dialogue Sessions	w/c 11 th June 2018 25 th June 2018 9 th July 2018
Deadline for Clarification Questions (midday)	Friday 3 rd August 2018
Deadline for Submission of Detailed Solutions (midday)	Friday 10 th August 2018
Conclude ISDS Evaluation	Friday 21 st September 2018
Stage 3: Final Tenders	
Feedback on Detailed Solutions (Short Listing)	w/c 24 th September 2018
Dialogue Sessions	w/c 1 st October 2018 w/c 15 th October 2018 w/c 29 th October 2018
Stage 3: Final Tenders	
Call for Final Tenders	Monday 5 th November 2018
Deadline for Clarification Questions (midday)	Monday 12 th November 2018
Deadline for Submission of Final Tender (midday)	Friday 16 th November 2018

Stage	Completion/Target Date
Preferred Bidder Notified and Unsuccessful Tenderers Advised (Standstill Letters)	Friday 11 th January 2019
Stage 4: Contract Commencement	
Optimise Partnership Agreement & Framework Agreement	2 months
Final Award Contract	11 th March 2019
Contracts Signed	18 th March 2019

6. Progress to date – Seven Arches Investments Ltd

- 6.1 Seven Arches Investments Limited (“SAIL”) was officially registered with Companies House on 12th April 2018.
- 6.2 The procurement of Property Investment Advisors during April resulted in two City firms being appointed: Montagu Evans LLP and Carter Jonas LLP. These firms will advise when the best property investments become available, either “on market” or “off market”.
- 6.3 Sample sites have already been supplied by both parties. These are summarised for information only at Appendix A and show the type of property and potential opportunity available. The Appendix also shows key metrics for evaluation and demonstrating due diligence.
- 6.4 The infrastructure to progress with a purchase is also being put in place with valuers, surveyors and solicitors procured as well as a bank account being set up.

7. Progress to date – Early Success Programme / in-house schemes

- 7.1 Progress will be reviewed at Corporate Asset Management Group fortnightly and then brought to the Project Board.
- 7.2 The Memorial Wall project is well underway. By the time of this committee, ground works will have commenced on site at Woodman Road Cemetery. The order has been placed with the contractor charged with manufacturing the granite Sanctums (Vaults) and Columbaria which will store the ashes. It is anticipated that the construction for these will take between 8 – 10 weeks after which they will be installed on site by the contractor. This should fit in well with the completion of the groundworks.
- 7.3 An “Exclusive Rights of Burial” agreement is being worked on to formalise the terms and conditions of use of the Vaults and Columbaria. Officers will now turn their attention to developing the second phase of this project which will

focus on an area designed for the placing of ashes if a family chooses not to renew the rights to their Sanctum or Columbarium. If this situation does occur, then the authority will need to have a location where remains can be either scattered or placed in the ground without using up existing burial plots. Progress will continue to be reported to this Committee.

8. Reasons for Recommendation

- 8.1 To update the Committee on the progress of the Asset Development Programme.

9. References to Corporate Plan

- 9.1 This fits with the Council's Transformation Vision, to explore new income generating ideas and opportunities.

10. Implications

Financial Implications

Name & Title: Jacqueline Van Mellaerts, Interim Chief Finance Officer

Tel & Email: 01277 312829/jacqueline.vanmellaerts@brentwood.gov.uk

- 10.1 The asset development programme is anticipated to provide substantial income for the Council.
- 10.2 However, investments carry a degree of risk and the company will need to be sustainable in the long term.

Legal Implications

Name & Title: Daniel Toohey, Monitoring Officer/Head of Legal Service

Tel & Email: 01277 312860/daniel.toohey@brentwood.gov.uk

- 10.3 Legal Services, working with external legal advisers and specialists, will be providing advice and assistance going forward.

11. Appendices to the report

- 11.1 Appendix A - Summary of Investment Property Samples Sites.

Report Author Contact Details:

Name: Ray Inns – Project Accountant

Telephone: 01277 312837
E-mail: ray.inns@brentwood.gov.uk