

23rd January 2019

Policy, Projects and Resources Committee

Asset Development Programme Update

Report of: *Chris Leslie – Executive Director of Commercial Services*

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.

2. Recommendation(s)

- 2.1 **To approve the direction of the Asset Development Programme.**

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 is seeking 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.

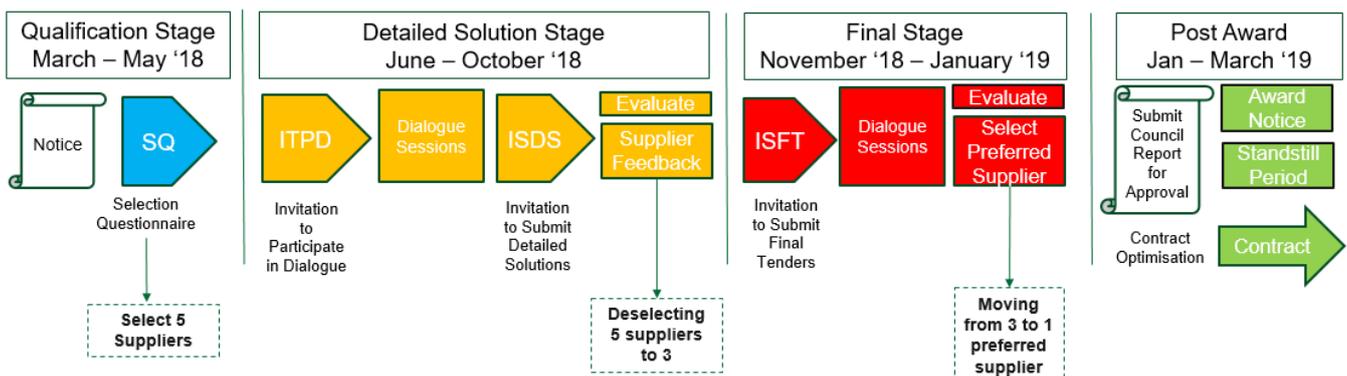
4. Loan Drawdown Facility

- 4.1 As reported in September, a Loan Drawdown Facility was set up following due approval in June 2018. The first drawdown of £6m was made in August in respect of the purchase of SAIL's first investment property and for working capital going forward.
- 4.2 Further investment opportunities continue to be presented to the Project Board following due diligence work. At the time of writing this report no additional funding has been requested by SAIL.

5. Progress to date – Joint Venture Partner Procurement

- 5.1 Following the publication of an Official Journal of the European Union (OJEU) Notice and a dedicated website on 23rd March 2018 there were 15 organisations who submitted applications by the deadline of 4th May 2018.
- 5.2 The 15 bids were evaluated based on who best met the Selection Questionnaire (SQ) criteria and the successful five were put forward to Competitive Dialogue and to submit detailed solutions.

- 5.3 Competitive dialogue commenced on Monday 11th June 2018, with dialogue sessions taking place during June and July 2018. Bidders' Detailed Solutions were then submitted, and subsequently evaluated by the procurement team. Following evaluation, three bidders were selected to progress to the final stage.
- 5.4 Final submissions were received from the bidders on 12th December 2018 and evaluation was undertaken on these. The appointment of the successful bidder will be subject to Council approval.
- 5.5 There will be a period of contract optimisation before contracts between the parties are signed.
- 5.6 Timescales and the procurement stages are shown in the following diagram:



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. It has subsequently had its own bank account set up and been registered for VAT.
- 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 On the 2nd August, Montagu Evans held a session with the Project Board to provide insight into Property Investment which would then allow the Project Board to gain a greater understanding of the investment process and to assist the Board in undertaking its function in relation to SAIL. The Board were also able to provide direction to the advisors in terms of the types of investment properties that would be suitable.

6.4 Investment opportunities are constantly being put forward for consideration and reviewed with all necessary due diligence.

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

7.1 As previously reported a Master Assets List has been developed.

7.2 From this master list, a number of sites were approved in September to be treated as “Dormant” or “Closed” as applicable. These lists have now been put to one side to enable a more focussed approach to the remaining “live” assets which may have a greater potential than their current use allows. A “Top 10” priority list of these was produced and subsequently worked through.

7.3 Progress is being reviewed at Corporate Asset Management Group fortnightly and then reported to the Project Board. Two of the Top 10 have now been completed. Further priority properties have been identified, resulting in a slightly larger priority list of properties currently being “triaged” with a view to improving the return from them to the Council.

4 Coptfold Road

7.4 At the November meeting of this Committee, authority was given to transfer 4 Coptfold Road to the General Fund and use available funds to renovate it so that it can generate revenue income for the General Fund.

7.5 It is expected that by the time of this Committee, renovations will be practically-complete and the property can then be let by early February.

The Memorial Wall

7.6 The Memorial Wall project is now complete. There were some delays experienced in the summer with the manufacture and delivery of the granite Sanctums (Vaults) and Columbaria causing an unfortunate delay.

7.7 Wording for the terms and conditions has been revised. All documents and leaflets have now been updated and published online and in the document library. Artwork for new signage is complete. Marketing has commenced. Some promising initial interest has been shown by the public.

7.8 Work has now commenced on the Pet Memorial area including procuring the required fencing panels and improving the approach roadway.

- 7.9 Officers will later be turning their attention to developing the next phase of this project which will be to 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.

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

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- 10.1 The asset development programme is anticipated to provide substantial income for the Council.
- 10.2 Costs associated with the Joint Venture are to be met from the Organisational Transformation Reserve.
- 10.3 The Memorial Wall project even though slightly delayed remains within budget.
- 10.4 The financial position on SAIL remains unchanged. However, opportunities and investments are being proposed and reviewed to develop the commercial aspect for the Council.
- 10.5 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****Tel & Email: 01277 312 860 daniel.toohey@brentwood.gov.uk**

- 10.6 Legal implications are referred to in the body of this report. Legal Services, working with external legal advisers and specialists, will be providing advice and assistance going forward.

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