

<b>14 October 2015</b>		<b>ITEM: 17</b> <b>01104422</b>
<b>Cabinet</b>		
<b>Purfleet Centre – Award of Contract</b>		
<b>Wards and communities affected:</b> West Thurrock and South Stifford	<b>Key Decision:</b> Key	
<b>Report of:</b> Councillor Richard Speight, Portfolio Holder for Regeneration		
<b>Accountable Head of Service:</b> Matthew Essex, Head of Regeneration		
<b>Accountable Director:</b> Steve Cox, Assistant Chief Executive		
<b>This report is</b> Public, apart from Appendix 2 which is exempt due to information relating to the financial or business affairs of any particular person (including the authority holding that information).		
<i>If the report, or a part of this, has been classified as being either confidential or exempt by reference to the descriptions in Schedule 12A of the Local Government Act 1972, it is hereby marked as being not for publication. The press and public are likely to be excluded from the meeting during consideration of any confidential or exempt items of business to which the report relates.</i>		
<b>Date of notice given of exempt or confidential report:</b> 12 May 2015		

### **Executive Summary**

The regeneration of Purfleet Centre is the largest regeneration programme which the Council is directly responsible for delivering. Through a series of reports over the past three years, Cabinet has been consistently updated on progress in the Council's efforts to secure the implementation of this high profile scheme which will ultimately deliver more than 2,300 new homes and a state-of-the-art film, television and media studio complex around a new town centre featuring a primary school, health centre and local shops, leisure and community facilities.

In March 2014, following the conclusion of a competitive procurement exercise, Cabinet approved the appointment of Purfleet Centre Regeneration Limited (PCRL) as the Council's development partner which would ultimately take on responsibility for delivering the project. Through a report in December 2014 Cabinet was updated on the progress towards completing the Development Agreement between PCRL and the Council, securing funding for the scheme, site acquisitions, the approach to planning and public consultation undertaken following PCRL's selection.

Since the last update report, a funding partner has been identified by PCRL (London and Quadrant Housing Trust) and, following an extended due diligence process, terms have been agreed (subject to Board/Cabinet approvals) which will secure the funds necessary to secure the delivery of the first phase of the project. This report reviews the work which has been completed since December 2014 and, through a confidential appendix, outlines the substantially settled commercial terms between the Council, PCRL and its funder together with the results of the Council's own due diligence and identifies the remaining risks and mitigation measures. This report recommends that Cabinet approves these commercial terms and enters into the various legal agreements with PCRL to enable the scheme to proceed.

## **1. Recommendation(s)**

- 1.1 That Cabinet notes the progress made since the selection of PCRL as the Council's development partner for the Purfleet Centre scheme;**
- 1.2 That Cabinet approves the commercial terms outlined in Appendix 2 as the basis for the contractual agreements between the Council, PCRL and L&Q and authorises the completion of those agreements; and**
- 1.3 That Cabinet delegate authority to the Assistant Chief Executive, in consultation with the Portfolio Holder for Regeneration, to conclude any remaining discussions necessary to complete those agreements on the Council's behalf provided that they are on substantially the same terms as those contained within this report.**

## **2. Introduction and Background**

- 2.1 Purfleet is one of six Growth Hubs in the Borough identified within the Council's Economic Development and Regeneration Strategies and the Local Development Framework. Whilst the majority of the Borough's growth is private sector led; the Purfleet Centre proposal is the largest regeneration programme which the Council is responsible for directly delivering through maximising the value of its significant land holding in the area. The Council has set out a vision to create a new town centre in Purfleet to support the development of more homes but also address existing deficiencies in services and facilities as well as maximising the benefit of Purfleet's riverside location.
- 2.2 On 10<sup>th</sup> February 2014 the Council closed the OJEU Competitive Dialogue process which sought to identify and select a development partner who would be responsible for delivering the proposals for Purfleet. In March 2014 Cabinet approved the selection of PCRL and delegated authority to the Assistant Chief Executive in consultation with the Portfolio Holder for Regeneration, Highways and Transportation to negotiate the remaining terms of the Development Agreement and associated documentation. Given the time that has elapsed since this delegation was given, and the scale of the commitment being contemplated, it is considered prudent to refresh the delegation through this report.

- 2.3 PCRL's formal submission included a high level masterplan (attached at Appendix 1) which set out an exciting vision for Purfleet Centre. The proposal took the critical elements of the Council's original scheme and augmented them to propose a high quality, aspirational development featuring:
- A state-of-the-art film, television and media studio complex;
  - More than 2,300 new homes set around a new town centre;
  - A new primary school;
  - A redeveloped station; and
  - Local facilities including a supermarket, community hall, health centre, retail units and spaces for cafés/bars.
- 2.4 In making their submission to the Council in February 2014, PCRL made it clear that they would need to secure an investor/funder to support the delivery of their vision. The implications of this in terms of certainty of delivery were weighed up in the assessment conducted at the time. As a result, since their selection, PCRL has focussed the majority of its effort on identifying a suitable and appropriate funding body and negotiating the terms on which the necessary funds will be provided.
- 2.5 The conclusion of PCRL's work to identify and secure a funding partner and the settled terms of the Development Agreement are reviewed within this report together with general updates on planning/design, acquisition activity and public engagement. A broad outline of next steps, assuming acceptance of the recommendations made, is also provided.

### **3. Issues, Options and Analysis of Options**

#### **Funding, Development Agreement and Commercial Terms**

- 3.1 As has been noted in previous reports, the ability for PCRL to progress the delivery of the scheme is entirely dependent on identifying a funder (or funders) to meet the costs of development. Whilst there has never been an issue in identifying funders for later parts of the project (when there is an asset to secure debt against) there has always been a need for a c.£20m facility to support the upfront costs associated with planning, land acquisition and remediation before any development can take place. Having held positive discussions with a variety of national and international investors (including banks, institutional investors, sovereign wealth funds and high net worth individuals) to explore options for securing this funding, PCRL ultimately selected London & Quadrant Housing Trust (L&Q) from five shortlisted funders.
- 3.2 L&Q is one of the country's leading housing associations and one of London's largest residential developers. As well as building high quality homes directly and managing more than 70,000 homes in London and the South East, L&Q also invests in property development to generate revenue in support of its charitable objectives. It is on this basis that L&Q is working on the Purfleet Centre scheme. L&Q are considered to be an ideal funding partner for this

project as their organisational aims align so closely with the vision for the project.

- 3.3 Since their selection, L&Q have undertaken a comprehensive due diligence assessment of the project including considering the vision for the scheme, the feasibility and viability of the proposals, assessing the local housing market, reviewing the financial modelling which underpins the scheme and reviewing the terms of the Development Agreement and associated documents/agreements. No significant issues have been highlighted through any of these assessments.
- 3.4 The terms of the Development Agreement, which sets out the roles and responsibilities and commercial arrangements over the lifetime of the 10-12 year project, were largely agreed during the Competitive Dialogue process and were signed off by Cabinet as part of the approvals given in March 2014. A limited number of refinements were discussed by PCRL and the Council following the close of dialogue and the document was largely settled by the end of 2014. However, the identification of a funding partner has necessitated a limited review of the Development Agreement to incorporate the funder's reasonable requirements. This was anticipated at the close of competitive dialogue.
- 3.5 The review has had no material impact on the vision for the scheme, PCRL's commitment to its delivery or the Council's level of influence/control over the partnership. As has always been the case, the commercial principles underpinning the relationship between the Council and PCRL see the Council's land being committed on a phased basis together with a limited amount of capital funding to support land acquisition and the development of a primary school within the first phase of the scheme. In return, the Council will receive payment for its land at the end of every phase, reimbursement of the costs of developing the school and will receive half of all surpluses generated through the development. Recognising that the details of the commercial relationship between the Council and PCRL remain confidential, the broad terms of the Development Agreement are reviewed within the exempt appendix (2) to this report. Appendix 2 also reviews the results of the Council's own due diligence assessment of L&Q together with reviews of the positions in respect of State aid and procurement.
- 3.6 At the time of writing, the terms of the Development Agreement have been approved by PCRL's Board and are due to be signed off by the relevant L&Q committee in early October 2015. In the event that Cabinet approves the recommendations made within this report, it is anticipated that the Development Agreement will be completed by the end of November 2015.

### **Planning and Design**

- 3.7 As reported in December 2014, PCRL has selected and appointed an extensive professional team to lead the work on the broad masterplan, the residential/town centre elements (led by ALL Design and KSS) and the film

and television studios (AHMM, AKTII and Arup). Over the past six months the design teams have been reviewing the existing masterplan and refining the detailed requirements of the film studios. There remains a strong commitment to delivering the key elements of the masterplan identified at the close of competitive dialogue but opportunities have been identified to further enhance the integration of the town centre with other uses – particularly the film and television studio complex – and the riverfront.

- 3.8 Meetings and discussions have continued to be held with key statutory and non-statutory stakeholders (including the Environment Agency, RSPB, Buglife and others) to ensure that their requirements are fully understood prior to the development and submission of any planning applications. Whilst the detailed design and planning work remains dependent on completing the Development Agreement, PCRL has undertaken a number of seasonal ecology surveys (nesting birds, bats etc) to ensure that the project is ultimately able to move forward quickly.
- 3.9 It is anticipated that, on completion of the Development Agreement, a new outline application for the Purfleet Centre project will be developed accompanied by a reserved matters application for the first phase of development. This is likely to take around 12 months to develop and submit. PCRL continues to consider ways in which it can make use of elements of the existing consent to bring forward remediation and site servicing on those areas of the site that the Council already owns.

### **Acquisition activity**

- 3.10 It was reported in the December 2014 update that, as a consequence of seeking to remove the existing level crossing as part of the Purfleet Centre project, an additional 14 residential properties would have to be acquired on top of the six which were already required. Following more detailed investigation it has become clear that the 20 properties are contained within only 18 freehold titles. In the intervening period, the Council has continued to engage with the owners and occupiers of those properties and, at the time of writing, has acquired eleven of the properties and agreed terms on a further two properties which are expected to complete shortly. Discussions in respect of the remaining five properties are at various stages of progression. All of the residential acquisitions to date have been completed through negotiation without the need to progress Compulsory Purchase.
- 3.11 Outside of the residential interests, the Council has continued to discuss purchasing the remaining commercial land with affected landowners. Whilst these discussions remain positive, no further commercial acquisitions are imminent. The main focus for the Council and PCRL continues to be securing the sites identified in the early phases of the development, these being mainly industrial properties in the south west corner of Botany Quarry. Should it not be possible to agree terms through negotiation, the Council will need to make use of Compulsory Purchase powers in order to ensure delivery of the scheme.

## **Public Engagement/Consultation**

- 3.12 Since the last report, PCRL have again attended the Purfleet Forum to update local residents on progress in delivering the scheme, outline some early emerging thoughts and start the discussion on existing issues which the scheme could address either through the development phases or when completed. Local people continue to be supportive of the project and there was a clear, genuine desire among attendees to get involved in the design process as the project proceeds.
- 3.13 The Council has continued to focus on defining the local service needs with a particular emphasis on school and health provision. The procurement of a sponsor for the new primary school to be delivered through the Purfleet Centre project is well advanced and officers are working with health colleagues to develop a brief for a new health centre and consider the delivery and management options of any new facility. PCRL remains committed to bringing forward local services within the first phase of the project and it is critical that the Council and its partners can provide the necessary information in a timely manner to support the design process.

## **Anticipated next steps**

- 3.14 As is noted above, it is anticipated that the Development Agreement will be completed by the end of November 2015. Thereafter, around 12 months will be required to develop the detailed masterplan, new outline application for the whole scheme and reserved matters application for the first phase of the development. It may be possible to undertake some groundworks in the intervening period, however, any residential/commercial development will need planning consent to be granted. Assuming that the applications are submitted in late 2016, planning consent could be granted in Spring 2017 which would see development starting on the land that the Council already owns in Summer 2017.

## **4. Reasons for Recommendation**

- 4.1 The Purfleet Centre project is a key element of the Council's Regeneration and Economic Development strategies. Having identified a development partner in March 2014, securing a funding partner is a major milestone in the delivery of the project. With the Development Agreement now settled, the Council is in a position to formally enter into the contractual agreements which will ultimately bring the project to fruition.
- 4.2 Delegated authority has previously been given to the Assistant Chief Executive and Portfolio Holder to complete discussions with PCRL and enter into Development Agreement. However, given the length of time which has elapsed since this delegation was given and the scale of commitment

involved, it is considered prudent to outline the commercial terms of the agreement and seek a fresh delegation through this report.

## **5. Consultation (including Overview and Scrutiny, if applicable)**

5.1 Progress in securing the delivery of the Purfleet Centre project has been reported to Cabinet and Planning, Transport and Regeneration Overview and Scrutiny Committee on a number of occasions. General progress has been reported regularly to the Purfleet Community Forum. The contents of this report, including the confidential appendix, have been presented to Group Leaders and Portfolio Holders through briefing sessions.

## **6. Impact on corporate policies, priorities, performance and community impact**

6.1 Securing the delivery of the Purfleet Centre project is a key priority within the Council's Economic Development and Regeneration Strategies together with the Local Development Framework. It is anticipated that, as well as local housing and employment, the nature of the development will serve to greatly increase the profile of the Borough and raise aspirations among developers and communities in terms of the benefits that new development can bring.

## **7. Implications**

### **7.1 Financial**

Implications verified by: **Sean Clark**  
**Head of Corporate Finance**

On the abolition of the Development Corporation, the Council received both sites and funding relating to the Purfleet site. The capital programme also provides for the costs of further site acquisition and for the school (as articulated within the report) when appropriate. Completing the agreement will commit the Council to the transfer of these assets on a conditional and phased basis.

The due diligence around this project, conducted on the Council's behalf by CBRE and PWC, recognises that it is financially viable and that, over the coming years, it should generate funds to reflect the value of the Council's land, repay the costs of the school as well as providing a dividend return to the Council as a commercial partner.

### **7.2 Legal**

Implications verified by: **Daniel Toohey**  
**Principal Corporate Solicitor**

In awarding the Development Agreement discussed in this report, the Council must comply with the requirements of the EU public procurement regulations. As set out in the body of this report the Council conducted a competitive dialogue process, and in March 2014 the Council selected the contractor PCRL, taking advice on EU procurement compliance from external legal advisers. External legal advice has also been sought in relation to the commercial terms, and this is summarised in Appendix 2.

### 7.3 **Diversity and Equality**

Implications verified by: **Natalie Warren**  
**Community Development and Equalities  
Manager**

The Purfleet Centre project has the ability to deliver a significant level of change to Purfleet, with the introduction of employment opportunities together with community facilities which will provide significant growth to the area.

### 7.4 **Other implications** (where significant) – i.e. Staff, Health, Sustainability, Crime and Disorder)

N/A

### 8. **Background papers used in preparing the report** (including their location on the Council's website or identification whether any are exempt or protected by copyright):

- Cabinet Report dated 19 March 2014 – Purfleet Regeneration Programme – Selection of Preferred Developer.

### 9. **Appendices to the report**

- Appendix 1 – Site Masterplan
- Appendix 2 – Exempt due to information relating to the financial or business affairs of any particular person (including the authority holding that information).

### **Report Author:**

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