

**Written statement of a key decision**  
**Cabinet**

<b>Title</b>	<b>Development Regeneration Programme - Station Approach project approval</b>
Decision maker	Cabinet Information about cabinet, including the names and contact details of the cabinet members, can be found here: <a href="http://councillors.herefordshire.gov.uk/mgCommitteeDetails.aspx?ID=251">http://councillors.herefordshire.gov.uk/mgCommitteeDetails.aspx?ID=251</a>
Date of decision	13 December 2018
Report exemption class	Open
Reason for being a key decision	This is a key decision because it is likely to result in the council incurring expenditure which is, or the making of savings which are, significant having regard to the council's budget for the service or function concerned. A threshold of £500,000 is regarded as significant.
A notice was served in accordance with Part 3 (Key decisions) of The Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012.	
General exception or special urgency (as defined in the constitution)	No
Purpose	To enter into a development agreement to provide student accommodation on the station approach site.  Cabinet identified, through the one public estate programme, the provision of student accommodation at a council-owned site at station approach as a priority project. On 27 July 2017 Cabinet resolved to bring forward an options appraisal and business case for development of the station approach site as a first phase site of the development and regeneration programme, subject to the council reaching a successful conclusion on the contract negotiations to enter into the overarching agreement, which was achieved in June 2018.  On 27 July 2018 the Cabinet Member contracts and assets authorised the issue of a new project request to Engie, under the terms of the overarching agreement, which specified the council's requirements and its criteria for the development of

	<p>up to 220 units of student accommodation on the site;these are capable of being refined as the project moves forward.</p> <p>A number of workstreams have been progressed since July in order meet a challenging project programme, working back from a scheme which could be open to new students in September 2020. This report updates Cabinet on the output of those workstreams and specifically seeks approval to move the project from Stage 1 (preliminary appraisal stage) to Stage 2 (full business case stage) of the Development and Regeneration Programme, as well as seeking delegated authority to take the project through to legal and financial completion, within the defined parameters set out in this report.</p>
<p><b>Decision</b></p>	<p><b>That:</b></p> <p><b>(a) the council approves the Stage 1 Submission (appendix 1) for the Station Approach student accommodation project, provided by Engie Regeneration Ltd under the development and regeneration programme (DRP), and the project be authorised to proceed into stage 2 of the DRP new project approval process with the Project Criteria, for submission in February 2019, being as follows:</b></p> <ul style="list-style-type: none"> <li><b>i. A student accommodation block of up to 180 units;</b></li> <li><b>ii. A design and specification in line with normal market practice and demand, subject to other criteria set out here;</b></li> <li><b>iii. A design which is Equality Act compliant and which respects the requirements of students with diverse needs and promotes the wellbeing of all its residents;</b></li> <li><b>iv. To achieve the earliest possible completion date to align with the commencement of an academic year;</b></li> <li><b>v. To develop the project in liaison with higher education and further education providers identified by the council including Hereford College of Arts and NMiTE;</b></li> <li><b>vi. To clarify funding options for the project and recommend a preferred approach;</b></li> <li><b>vii. To identify options for the asset management of the accommodation;</b></li> <li><b>viii. To identify ways to provide active frontage and a commercially viable amenity on the site;</b></li> <li><b>ix. To work with the council to ensure sufficient public parking supply is maintained and that this is clearly identified for potential users;</b></li> <li><b>x. To provide a scheme which meets the requirements of BREEAM (Building Research Establishment Environmental Assessment Method) Good or above;</b></li> <li><b>xi. To provide the council with options for the project to make an enhanced contribution to environmental</b></li> </ul>

sustainability, over and above that which would be required by relevant law or existing planning policy;

xii. To work with the council to develop the evidential framework by which the Stage 2 Submission can be assessed against the council's requirement to demonstrate best value and meet all other relevant legal obligations.

(b) a Stage 2 Development Fee of up to £752,648 be approved for underwriting by the council, subject to the terms of the overarching agreement, with an additional contingency of 20% (£150,530) to be released, if required, by the Director for Economy and Place;

(c) the preferred funding model to the project is for a commercial investor to provide funding for the construction and operational phases (the council to act as guarantor during the operational phases)

(d) the Chief Finance Officer be authorised to complete legal and financial due diligence on this preferred option during Stage 2, including the selection of a preferred funder and the negotiation of final terms, following consultation with the Cabinet Member Contracts and Assets, the Cabinet Member for Finance and Corporate Services, and the Director for economy and place, and provided that the funding model delivers for the council:

i. a capital receipt for the leasehold interest in the site that reflects the best consideration that can reasonably be obtained; and

ii. a best value solution for the project which meets the Project Criteria.

(e) in the event that acceptable terms cannot be agreed with a commercial investor in accordance with item (c) above by 28 February 2019 and subject to the Stage 2 submission having met the Project Criteria, the Chief Finance Officer be authorised, following consultation with the Cabinet Member Contracts and Assets, the Cabinet Member for Finance and Corporate Services, and the Director for economy and place to secure funding for the project up to a maximum sum of £18m from the council's capital allocation for the Development Partnership by using the council's own funds and/or Public Works Loan Board borrowing;

(f) subject to the Stage 2 Submission meeting the Project Criteria (item a. above) and an acceptable funding model being secured under item (c), (d) or (e) above, authority be delegated to the Director for Economy and Place, following consultation with the Cabinet Member Contracts and Assets and the Chief Financial Officer, to approve the project for immediate implementation;

(g) authority be delegated to the acting Director for Economy and Place, following consultation with the

	<p><b>Cabinet Member Contracts and Assets and the Chief Financial Officer, to enter into all necessary legal agreements including as set out in Financing Options and Project Agreements (appendix 2 to this report) and/or the giving of securities or guarantees and take all operational decisions necessary to implement the above within the approved budget;</b></p> <p><b>(h) the £35k cost of further services commissioned from Engie on 14 August 2018 to address issues with the Welsh Water sewer crossing the site be capitalised as part of the project; and</b></p> <p><b>(i) a further capital sum of up to £100k is approved for drawing down from the Development Partnership capital budget for council client support to deliver the project, including staff costs, due diligence and financial and legal support.</b></p>
Reason for the decision	<p>As set out in the report. Documents relating to this decision are available at</p> <p><a href="http://councillors.herefordshire.gov.uk/mgIssueHistoryHome.aspx?IId=50028123">http://councillors.herefordshire.gov.uk/mgIssueHistoryHome.aspx?IId=50028123</a></p>
Options considered	<ol style="list-style-type: none"> <li>1. The council could decide not to proceed with the project and either leave the site as a car park, or develop it for some other purpose. The cost of developing the designs for the facility would be written off and the site would remain a car park or be developed or sold for some other purpose. This is not recommended as the requirement for student accommodation remains and not proceeding with the station approach project will have a negative impact on the growth plans of the Hereford College of Arts (“HCA”). The location of the site was identified in an options appraisal commissioned through One Public Estate, is ready to develop and is a preferred location for the HCA given its proximity to their two campuses.</li> <li>2. The council could sell the site once planning permission is in place for others to deliver. This is not recommended as it would be likely to lead to a delay in the delivery of student accommodation to meet the needs of the HCA and NMiTE.</li> <li>3. The council could decide to continue but change the criteria for the project to reduce the scale of the development or utilise the site for an alternative purpose such as an alternative development proposal. This is not recommended as significantly reducing the scale of the development impacts the economic viability of the student accommodation facility and an alternative use would not meet the identified needs of HCA and NMiTE.</li> <li>4. The alternative options for financing are set out in</li> </ol>

	appendix 2.
Declarations of interest (see ▪ below)	
Call-in expiry date (decisions are not subject to call-in where special urgency provisions apply)	19 December 2018

Councillor: .....	Date 13 December 2018
Leader of the Council (Councillor JG Lester)	

- a record of any conflict of interest declared by any executive member who is consulted by the member which relates to the decision;
- and
- in respect of any declared conflict of interest, a note of dispensation granted by the relevant local authority's head of paid service.