

Decision maker:	Cabinet member contracts and assets
Decision date:	Tuesday 24 July 2018
Title of report:	DRP student accommodation at Station Approach
Report by:	Programme director housing and growth

Classification

Open

Decision type

Non-key

Wards affected

Widemarsh

Purpose and summary

To approve the scope and cost of the first stage of appraisal services to be provided by the council's developer partner, Engie Regeneration, in respect of the project to deliver student accommodation at Station Approach.

The council has entered into an overarching agreement with Engie Regeneration, a developer, for a programme of development and regeneration over the next 10 years and potentially beyond. In accordance with that agreement, the developer partner will be commissioned to develop a project through the mechanism of a "New Project Request" and will progress the project in "Stages".

Cabinet has identified the provision of student accommodation at a council-owned site at Station Approach as a priority project and on 27 July 2017 resolved to bring the project forward for consideration as part 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.

The New Project Request specifies the council's initial requirements and its criteria for the development, which can be refined as the project moves forward.

The developer partner has estimated the cost of the Stage 1 appraisal services which include the initial development of the business case and detailed designs for the scheme. These costs are

required to be underwritten by the council as specified in the overarching agreement.

Recommendation(s)

That:

(a) The project be confirmed in the development and regeneration programme as part of the council's development partnership with Engie Regeneration Ltd;

(b) the following Council Criteria for Stage 1 of the Station Approach student accommodation project be approved:

- i. A student accommodation block of up to 220 units;
- ii. A design and specification in line with normal market practice and demand, subject to other criteria set out here;
- 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;
- iv. To achieve the earliest possible completion date to align with the commencement of an academic year;
- 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;
- vi. To identify funding options for the project;
- vii. To identify options for the asset management of the accommodation;
- viii. To identify ways to provide active frontage and a commercially viable amenity on the ground floor;
- ix. To work with the council to help replace car parking spaces impacted by the scheme;
- x. To provide a scheme which meets the requirements of BREEAM (Building Research Establishment Environmental Assessment Method) Good or above;
- xi. To provide the council with options for the project to make an enhanced contribution to environmental 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.

(c) a Stage 1 Development Fee of up to £351k be approved with a contingency of 20% (£70k) to be released, if required, by the Director for economy, communities and corporate; and

(d) A further capital sum of £50k is approved for drawing down from the Development Partnership capital budget in order to support the council in delivering Stage 1 of the project, including the covering of staff costs and potential contingency against the Stage 1 development fee.

Alternative options

- 1 The council could choose not to proceed with the project. This would mean that the council would not be able to offer student accommodation to local higher education

providers in Herefordshire, in this case, the Hereford College of Arts and the new university, NMiTE.

- 2 The land could be made available to the Hereford College of Arts to develop the facility with the council taking the capital from the sale of the land. However, the college do not have the resources, the capital, or the capability to do this.
- 3 We could sell the land to a developer with the expectation that they work with the college to develop student accommodation. Once the land has been sold, however, neither the council nor the college would be able to control development on the site.

Key considerations

- 4 In 2016 Cabinet approved the commissioning of a developer to progress the development of suitable sites in its ownership including the capability to progress development funding. The DRP is intended to support the delivery of the ambitious goals of the Invest Herefordshire economic development programme and support the council's financial sustainability and will include a mix of house building and regeneration projects that will be delivered over the next 10 to 20 years.
- 5 In accordance with the overarching agreement, the developer partner will be commissioned to develop a project through the mechanism of a "New Project Request" and will progress the project in "Stages".
- 6 Cabinet has identified the provision of student accommodation at a council-owned site at Station Approach as a priority project and on 27 July 2017 resolved to bring the project forward for consideration as part of the development and regeneration programme, subject to the council successfully completing contractual negotiations with Engie Regeneration Ltd on the overarching agreement. The overarching agreement with Engie Regeneration Ltd was signed in June 2018.
- 7 The development of student accommodation on this site was confirmed as the preferred development for this site in an options appraisal carried out as part of the one public estate programme. The main long-term customer for the facility is Hereford College of Arts (HCA), which has a proven demand for purpose built accommodation of the type proposed. The ability to offer potential students suitable accommodation is considered by HCA as important for the successful delivery of its expansion plans. There is also a proposal that an allocation of rooms within the accommodation could be made available on a short term basis to students of the new university, NMiTE, thereby supporting its development.
- 8 Discussions have taken place with both HCA and NMiTE which confirm that they have an interest in student accommodation on Station Approach. Negotiations on the form of any agreement with these organisations will form part of a later stage of this project.
- 9 The requirements included as part of the New Project Request are for a facility providing approximately 200 beds in cluster rooms and a small number of individual studios. The specification has been agreed with Hereford College of Arts and is described as a high quality product suitable for the higher education market. The proposed council criteria for Stage 1 of this project are:
 - a. A student accommodation block of up to 220 units;
 - b. A design and specification in line with normal market practice and demand, subject to other criteria set out here;

- c. A design which is Equality Act compliant and which respects the requirements of students with diverse needs and promotes the wellbeing of its resident;
 - d. To achieve the earliest possible completion date to align with the commencement of an academic year;
 - e. To develop the project in liaison with higher education and further education providers identified by the council including Hereford College of Arts and NMiTE;
 - f. To identify funding options for the project;
 - g. To identify options for the asset management of the accommodation;
 - h. To identify ways to provide active frontage and a commercial viable amenity on the ground floor;
 - i. To work with the council to help replace car parking spaces impacted by the scheme;
 - j. To provide a scheme which meets the requirements of BREEAM (Building Research Establishment Environmental Assessment Method) Good or above;
 - k. To provide the council with options for the Project to make an enhanced contribution to environmental sustainability, over and above that which would be required by relevant law or existing planning policy.
 - l. 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.
- 10 The Stage 1 services to be undertaken by the developer partner on this particular project are essentially twofold: (1) activities to support the development of an outline business case, assessing demand, potential funding options and delivery options; and (2) activities, principally through a multi-disciplinary design team, to support the submission of a detailed planning application at the earliest possible date, which if successful will facilitate an early start on site and enable the accommodation to be open to students in September 2020.
- 11 The council and its HE partners wish to procure an accommodation scheme which can be open to students in September 2020. This will require planning consent to be obtained in time to support the start of the construction in March 2019. This in turn requires the developer partner to submit a planning application in September 2018.
- 12 The financial business case for the project will be considered in more detail if the project moves to Stage 2. However it should be noted that the initial indications are that a profitable business case can be developed for the project. It is particularly important that the accommodation is a financially viable and self-sustaining asset, given that third party funding sources may be sought for the financing of the build and long term operation of the accommodation. In addition a positive financial outcome for the council, alongside the benefit of supporting the growth of higher education in Hereford, would be in line with the [Council's corporate plan] and the "invest Herefordshire" aim of making Herefordshire a great place to study.
- 13 The criteria included in the new project request will be used to assess the Stage 1 submission. This Stage 1 submission is expected to be available by September. The council will then have a decision to make as to whether the project should proceed to

Stage 2, which involves the development of a detailed business and thorough exploration of funding options as well as delivery risks. The Council Criteria will be reviewed and updated (if required) as part of any decision to move into Stage 2, to provide a framework for assessing the final submission which will be considered by Cabinet at the end of Stage 2.

Community impact

- 14 The council's corporate plan 2016-2020 includes support the growth of our economy as a strategic priority. The wider Herefordshire economic vision sets out an ambitious framework for economic growth within the county and is supported by the core strategy. Delivery of the core strategy and economic vision will rely on significant investment in a variety of developments across the county.
- 15 Supporting the corporate plan and economic vision, the council's property strategy for 2016 to 2020 includes the objectives to maximise the economic benefits of the council's property asset base and to support economic development and housing growth.
- 16 Successful implementation of the DRP has the potential to significantly contribute to the corporate plan, through support for the economic vision and core strategy, and the corporate property strategy by allowing the council to maximise the financial benefits that it receives from its development sites.
- 17 The project will contribute directly to the invest Herefordshire objective to make Herefordshire a great place to study.

Equality duty

- 18 Under section 149 of the Equality Act 2010, the 'general duty' on public authorities is set out as follows:
- 19 A public authority must, in the exercise of its functions, have due regard to the need to:
 - a. eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
 - b. advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
 - c. foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
- 20 The public sector equality duty (specific duty) requires us to consider how we can positively contribute to the advancement of equality and good relations, and demonstrate that we are paying 'due regard' in our decision making in the design of policies and in the delivery of services. Our providers will be made aware of their contractual requirements in regards to equality legislation. An equality impact assessment will be made during the project appraisal.

Resource implications

- 21 The council is required to underwrite the developer's properly incurred costs for this stage of project appraisal. These capital costs, which will be approved by the programme director for growth, will be not more than £421k (comprising £371k and £70k

contingency).

- 22 The council's internal spend to support the development of the stage 1 submission directly associated with the project will also be capitalised. This is expected to be approximately £50k for this stage of the project. The resources will be released from the Development Partnership capital budget.
- 23 Based on high level assumptions the current estimate of gross development costs is approximately £19.2m with a gross development value of £20.7m leading to a project surplus of £1.5m.
- 24 If the project does not ultimately result in a capital asset the costs incurred will be reviewed and may need to be charged against the revenue budget. These costs will be financed by an earmarked revenue risk reserve the status of which will be reported through the quarterly finance reporting to Cabinet.

Legal implications

- 25 The council has procured its development partner Engie Regeneration through an EU compliant procurement process. The council has entered into a legally binding overarching agreement with the developer and this report explains how the Station Approach project is proposed to be progressed in accordance with the process set out in that overarching agreement.
- 26 This report identifies the Stages through which the project will proceed, subject to approval by the Executive, at each Stage. It is important to note the separation between executive and non-executive functions for a DRP project such as the one described in this report. The submission of a planning application by the developer (referred to in this report because it is a significant and high profile activity which is shortly due to commence) does not oblige the council to proceed with this project. The Executive will determine whether or not the project should proceed. The determination of the planning application is a non-executive function and solely a matter for the council in its capacity as Local Planning Authority to determine in accordance with planning law and ordinary legal principles.
- 27 The overarching agreement provides a contractual framework within which the developer will incur costs and deliver services which enable the council's Executive to assess whether a project should proceed. The overarching agreement requires the developer to set out its expected costs for each Stage and essentially the council is required to underwrite these costs in the event that the council subsequently refuses to proceed with the project despite the developer demonstrably meeting the Council Criteria (termed an "improperly rejected project" in the overarching agreement).
- 28 There are no other significant legal implications arising from the project at this stage.

Risk management

Risk / opportunity	Mitigation
The council improperly rejects the project	The council's exposure to cost is limited to properly incurred costs of the approved

	<p>programme development fee</p> <p>The reputational cost of not providing the facility required by HCA will be mitigated through early discussion with HCA management</p> <p>The council will seek to minimise the negative impact on NMiTE by providing facilities elsewhere</p>
The September 2020 deadline is not met	The programme is tight and does not allow for any delays. The risk to the deadline is, therefore, real. Any delays, together with their impact must be communicated to stakeholders. A communications plan will be developed to help ensure that this happens.
The costs are higher than anticipated due to the complexity of the project	Any increase in the programme fee will have to be approved by the Cabinet member.
HCA and NMiTE may decide that they no longer require accommodation	The project will be brought to a halt. The council will be liable for any incurred costs agreed in the development programme fee.

- 29 Risks are managed according to the council's PROM framework, and recorded on a service risk register, being escalated to the directorate or corporate risk register according to the significance of the risk.

Consultees

- 30 Local members have been consulted. The local ward member has expressed support for the proposal to provide student accommodation on Station Approach, but requested reassurance that any impact on the availability of parking would be managed. The ward member also expressed concerns about the potential scale of the building. Hereford College of Arts have been closely involved in the development of the building specifications and discussions have also taken place with the NMiTE team, who are supportive of the project and have stated their interest in approximately 100 rooms for the academic year 2020/21.

Appendices

None

Background papers

Station Approach and county bus station site, options appraisal to support stage 0, 16th March 2018