



APPROVAL OF PETERBOROUGH INVESTMENT PARTNERSHIP PROJECT PLAN
DAVID SEATON, CABINET MEMBER FOR RESOURCES
JULY 2015
Deadline date: N/A

Cabinet portfolio holder: Responsible Director:	David Seaton, Cabinet Member For Resources Simon Machen, Corporate Director for Growth and Regeneration
Is this a Key Decision?	NO
Is this decision eligible for call-in?	YES
Does this Public report have any annex that contains exempt information?	<p>YES</p> <p>The attached exempt annex (Annex 1) is NOT FOR PUBLICATION in accordance with paragraph 3 of Schedule 12A of Part 1 of the Local Government Act 1972 in that it contains information relating to financial and business affairs namely the value of Council assets.</p> <p>The public interest test has been applied to the information that is contained in the exempt annex to this decision notice and it is considered that the need to retain the information as exempt outweighs the public interest in disclosing it because to disclose it could compromise the Council's position in any future investments.</p>
Is this a project and if so has it been registered on Verto?	NO

R E C O M M E N D A T I O N S
The Cabinet Member is recommended to approve the Peterborough Investment Partnership's Fletton Quays Project Plan on behalf of the Council (Annex 2).

1. SUMMARY OF MAIN ISSUES

- 1.1 In December 2014, the Council entered into a joint venture with the Lucent Strategic Land Fund (Lucent), for which the Limited Liability Partnership (LLP) the "Peterborough Investment Partnership" (PIP) was created. This followed decisions by the Council in February 2014 and December 2014, which outlined how it was expected this arrangement would work and what it expected to achieve. These previous decisions highlighted five sites in the city centre that the PIP will now take forward, beginning with Fletton Quays and developing appropriate scheme designs and taking them through the statutory planning process.
- 1.2 For each scheme a Project Plan is needed that outlines that scheme. The Council's legal agreements (the Members Agreement entered into in December 2014 which forms the PIP) mean that Project Plans must be approved by both the PIP's Board and also separately by

the LLP owners, Lucent and the Council. The PIP Board has now approved the Project Plan for Fletton Quays and this CMDN is to request approval of these documents by the Cabinet Member on behalf of the Council so that the PIP can proceed with the work needed to apply for planning permission.

- 1.3. It is important to note that this decision only approves the Project Plans it does not approve the transfer of Council land to PIP. This decision, which is a Key Decision already listed on the Council's Forward Plan, is a separate matter but will follow shortly after this decision is taken, if approved. The PIP will need to seek planning permission for its scheme in the same way as any other developer interacting with the Council as Local Planning Authority. Similarly, the approval of this Project Plans is not a commitment to any funding being made available by the Council to PIP. Such decisions would be the subject to further reports / decision making.

2. PURPOSE OF THIS REPORT

- 2.1 This report is for Councillor Seaton, Cabinet Member for Resources to consider exercising delegated authority under paragraph 3.4.3. of Part 3 of the constitution in accordance with the terms of the Cabinet Member for Growth, Planning, Housing and Economy Development's portfolio at paragraph (h). The Leader has authorised the Cabinet Member for Resources to exercise the authority to review and approve the Project Plan, as the Cabinet Member for Growth, Planning, Housing and Economic Development is unable to take this decision as he is a board member of the PIP.
- 2.2 The attached Annex 1 information is NOT FOR PUBLICATION in accordance with paragraph 3 of Schedule 12A of Part 1 of the Local Government Act 1972 in that it contains information relating to financial and business affairs namely the value of Council assets. The public interest test has been applied to the information contained within the exempt annex and it is considered that the need to retain the information as exempt outweighs the public interest in disclosing it as to do so could compromise the Council's position in any future investments.

3. TIMESCALE

Is this a Major Policy Item/Statutory Plan?	NO	If Yes, date for relevant Cabinet Meeting	N/A
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4. DETAILS OF DECISION REQUIRED

- 4.1 The development of Fletton Quays has been considered of strategic importance to the city – and the city centre in particular – for many years. The Council has previously stated that it is seeking a comprehensive regeneration of what was originally called the Southbank Opportunity Area, latterly widened and renamed Riverside Opportunity Area. This proposal broadly follows the work the Council has done to date. The PIP's Project Plan acknowledges the long-term desire of the Council to see the site developed, and proposes an outline scheme that the PIP's architects have designed to be consistent with the ambitions from the Council's adopted City Centre Development Plan Document.
- 4.2 Although much work is still to be completed in the coming months, the outline scheme proposed includes:
- New build offices, dependent upon demand, with one block integrated with an existing listed railway shed building to bring it back into use as meeting / breakout area
 - In the order of 250 units of high quality residential apartments
 - A new hotel
 - Commercial food, drink and, potentially, leisure units
 - Appropriate car parking allocated for the residential and other uses

- 4.3 The Project Plan recognises the significant work needed to accompany a scheme for planning determination, and recognises, too, that Fletton Quays is a constrained site, with issues including flood risk, heritage, contamination and transport, all to be assessed and addressed in any forthcoming planning application.
- 4.4 The approval of this Project Plan will lead to the Council's project partner, Lucent, committing the full funding required for the development work to take this scheme forward through the planning process. The PIP hopes to complete this work so that it can submit an outline application to the Local Planning Authority in late September 2015.
- 4.5 This approval of the Project Plan will also enable the PIP to exercise an option that will allow it to drawdown the site from Council ownership. If and when the PIP chooses to exercise this option, this disposal process will be dealt with in a separate CMDN in the usual way.

5. CONSULTATION

- 5.1 Senior officers from legal, finance, and property have been consulted, as well as the Cabinet Member for Resources.

6. ANTICIPATED OUTCOMES

- 6.1 The approval of the Peterborough Investment Partnership Project Plan for Fletton Quays, which will enable the PIP to do the detailed work to develop the scheme in accordance with the Project Plan and to take this through to a planning application this year.

7. REASONS FOR RECOMMENDATIONS & ANY RELEVANT BACKGROUND INFORMATION

- 7.1 The legal agreements upon which the Peterborough Investment Partnership was created requires that the individual owners of the PIP approve each Project Plan separately to decision making within the PIP itself. This CMDN is therefore needed to allow the work required to take these schemes forward to take place, which was the Council's clear desire in creating the PIP in late 2014. If the Council does not approve the Project Plans, scheme development cannot go forward. It is important to note that this situation is by design: decision making protocols were put in place to ensure that both parties to the PIP had to be comfortable with proposals or they would not proceed.
- 7.2 The schemes that are proposed are consistent with the ambitions for the site expressed in the Council's adopted City Centre Development Plan Document, and – subject to their independent review and submission to the Local Planning Authority in the usual way – will help bring a key site in the city centre forward that has remained dormant for far too long.
- 7.3 The ultimate delivery of the scheme has benefits beyond bringing forward a key development site and adding another success to Peterborough's national reputation for strong, positive growth. Based on the indicative make-up of the scheme, the Council could receive around £250,000 a year in additional council tax from the residential component, and a similar amount of new homes bonus (whilst this remains government policy). The provision of new office and other commercial space would also deliver additional business rates. The scheme would also deliver new affordable housing, either on site or through a commuted sum.
- 7.4 The approval of this Project Plan will enable the PIP to ask the Council to transfer the site to it, according to values determined independently by a qualified, third-party valuer. The details of this will be dealt with in a separate CMDN, subject to Scrutiny in the usual way, but it is worth noting that the Council will, in addition to the capital land receipt from the disposal of the site, also receive a share of profits the PIP achieves from the sale of a

consented scheme. This was one of the principles under which the Partnership was approved by the Council and established, as noted in the aforementioned CMDN in December last year.

8. ALTERNATIVE OPTIONS CONSIDERED

8.1 The Council could choose not to approve the Project Plan that has been put forward. This would result in the PIP having to reconsider the scheme proposed, and it could result in no further scheme coming forward given the constraints and challenges the site has or a scheme that is not consistent with the Council's planning policies. The outline scheme that has been proposed and for which the PIP will seek planning permission is consistent with the Council's long-term, adopted ambitions for the site, as expressed in the City Centre Development Plan Document, and considered by the PIP to be commercially viable and deliverable.

9. IMPLICATIONS

9.1 Finance

9.1.1 The financial implications of the council entering into the JV was covered in detail in the previous CMDN's, including a full outline of how the JV would operate, along with an analysis of risks and mitigations. It is not intended to repeat that detail here. There is nothing in these proposals that changes those overarching financial implications, we are simply proceeding with the first project plan as envisaged.

9.1.2 In summary the steps for the Fletton Quays site (and indeed all sites) are as follows:

1. Approval of project plan
2. Approval of disposal of site to PIP (subject to a separate CMDN) for which the Council receives loan notes
3. Planning permission sought
4. Site sold by the PIP with planning permission

9.1.3 The return to the Council will consist of two elements:

- Market value of the site at stage 2 above (i.e. before planning permission)
- A share of the uplift in value when it is sold on by the PIP (stage 4 above).

The PIP partner (Lucent) also have their investment (the costs of securing planning permission) repaid, plus a share of the uplift.

It should be noted that the Council can elect to receive this return as cash once the site has been sold by the PIP with planning permission (i.e. having its loan note paid). This would reduce the share of future uplifts, so the council may elect to continue to hold loan notes. This is a decision for a later stage, not this CMDN.

9.1.4 An outline financial model for the project plan is included in the exempt annex. The model depends on three key values:

- Estimated off-take values - outlined in the project plan at £6-9m
- Lucent's investment costs (the costs of securing planning permission) - outlined in the project plan at up to £1.5m, depending upon the need for an environmental impact assessment to be undertaken
- The current market value of the site i.e. the value of the Council's loan note

As the sale values for the third element are considered to be exempt information, any financial model that includes them must also be exempt information.

9.1.5 At this stage this can only be an indicative model. Whilst it includes estimates of the likely sales value, this could vary depending on a number of factors, including the final scheme design, planning requirements, interest from purchasers etc. The Council has a number of protections regarding possible reduced value:

- It is in the interest of PIP, and our partner Lucent, to maximise returns from projects as they are investing in developing the project plans
- If the likely value drops 20% below the expected level, then the plans must be reconsidered by the Board (and in turn a revised CMDN would be required).

9.1.6 Whilst these safeguards are in place, some of the issues outlined above are outside of the control of the PIP and the Council. In a scenario where a viable scheme cannot be developed, the Council does have the option to buy the asset back (effectively the sale proceeds to PIP then repays the Council loan note, so the transaction should be net nil, although the Council would need to pay market value if the value had increased). Such a transaction would need specific approval by the Council.

9.1.7 The February Cabinet 2014 report outlined the viability gap in the business case for the Council to move into new offices on the south bank, whilst agreeing in principle to move if that viability gap can be closed. Work on this is on-going, and agreement to the project plan does not commit the Council to this move.

9.2 Property

9.2.1 The Council has been working for a number of years to secure development of the Fletton Quays site. It has been doing so as part of a wider regeneration of this area of the city following the relocation of Matalan and B&Q, the Council closing Bridge House and the Environment Agency relocating from Aqua House. It has now reached the stage where the PIP has been set up, the Council has entered into formal option agreements with the PIP to enable it to call for the Council to transfer land and approval of the Project Plan is one part of the process to enable the PIP to approach the Council to transfer Fletton Quays and Pleasure Fair Meadows Car Park to them. As set out below there is, however, a separate decision to be made by the Council following approval of the Project Plan to transfer assets. Before covering this point it is important to set out some of the background to proposed regeneration of land in this area.

9.2.2 Fletton Quays forms part of what was originally named "Southbank Opportunity Area" (SBOA) which included amongst other assets Pleasure Fair Meadows Car Park, the former Horsefair Car Park, the former Elliots factory off Cripple Sidings and the London Road Stadium, the home of Peterborough United Football Club. These assets now form part of a wider regeneration area of some 50 hectares including land north of the River Nene around the Embankment area and renamed Riverside Opportunity Area (ROA).

9.2.3 The Council has spoken many times and it has been widely reported about seeking to secure "comprehensive development" in this area and being in a position to marshal the type and quality of development through having ownership/control of land. The Council has previously approved a number of key acquisitions including the London Road Stadium in 2009 following which it has invested in replacing the Moy's End Terrace with a new stand and integrated Skills Centre operated by Allia, a charitable organisation and renamed "Future Business Centre – Peterborough". The Council has also previously acquired the former Matalan and B&Q sites and Aqua House, at East Station Road. The Council now owns the listed railway and goods shed similarly on East Station Road, acquired from East Of England Development Agency (EEDA).

9.2.4 The Council has worked closely with a range of partners to kick-start development in this area including English Partnerships (EP) and the EEDA. The visual signs of this collaborative working can be seen in the form of the Vista development, now well over 50%

completed. Here, the 3 organisations jointly promoted approximately 8 hectares of land served by the former Cripple Sidings Lane and Glebe Road as a Carbon Challenge site (a competition run by Government through English Partnerships to trial developing large scale high energy efficient homes on city centre brownfield development sites). The Council combined its land with that owned by EP and EEDA initially transferring land at the former Cripple Sidings Lane to English Partnerships who in turn have transferred their own land, that of the former East of England Development Agency to Morris Homes to developed the 295 unit zero carbon residential scheme known as "Vista". Development of Fletton Quays is therefore the logical next phase of the wider regeneration of the ROA. The scheme proposed in the annexed Project Plan is consistent with the approach taken so far by the Council to position itself to marshal comprehensive regeneration of what will be a predominantly residential mixed use development on Fletton Quays. It must be recognised, however, that there is now far less government funding available to support development.

- 9.2.5 There are no direct property implications of this decision notice other than it determines, in principle, the nature of the land uses for the Council assets at Fletton Quays and Pleasure Fair Car Park. The decision to approve the Project Plan does not commit the Council to transfer land to PIP at this stage nor does it commit in any way the Council to close Bayard Place and those parts of the Town Hall accommodating Council staff (excluding civic functions) and relocate to new Council offices at Fletton Quays.
- 9.2.6 The decision taken by the Council in December 2014 to set up PIP, of which the Council has a 50% stake, set out the Council's aspirations of rationalising its office accommodation and if there was a viable business case then the Council would consider relocating the majority of its staff to new offices at Fletton Quays. Neither this decision nor a subsequent recommendation to transfer land to the PIP which will be the subject of a further Cabinet Member Decision Notice (in this case a Key Decision which is already listed on the Forward Plan) commits the Council to do anything other than approve a Project Plan which, as already set out in this decision notice, is intended to approve the proposed uses for the site and scale of development by the Council as landowner. It is important to distinguish this when considering the recommendation set out in this decision notice.
- 9.2.7 The Project Plan sets the basis for the nature of development on what are currently Council-owned assets and which will in turn determine the likely level of future land receipts the Council can reasonable expect to receive for the site. Approving the Project Plan does set the basis for development of Fletton Quays by PIP. Land receipts are a factor of the scheme being developed on sites so there are indirect consequences.
- 9.2.8 Over and above matters such as build quality, visual appearance, layout of public realm and place-making the biggest factor on the level of land receipt will be to have a scheme that is capable of being supported by the statutory planning process. The Project Plan for which approval is being sought should promote a scheme of a nature that it will be able to secure planning consent whilst maximising opportunities for example, building heights and unit numbers, to enable development of the site to be maximised. The Council could ask the PIP to take forward a scheme on this site such as a large supermarket which typically would give a higher value to the Fletton Quays site than a mixed use residential, office and hotel development, as proposed in the Project Plan but, that would be contrary to the Council's planning policies so would not be promoted by either PIP or the Council.
- 9.2.9 The proposed mixed use development set out in the Project Plan is broadly consistent with work previously carried out by Opportunity Peterborough and the Council's own Growth and Regeneration team following the acquisition of assets at Fletton Quays and therefore marks a key milestone in the culmination of land assembly and regeneration plans across a number of sites within the Riverside Opportunity Area.
- 9.2.10 It is important to note that this decision, which is namely to support a Project Plan which is consistent with the range of uses set out in the Councils adopted City Centre Development

Plan Document does not commit the Council to sell either the Fletton Quays site or the Pleasure Fair Meadows Car Park. There will be a further decision notice for consideration by the Cabinet Member for Resources, which will be a Key Decision and already listed on the Forward Plan, to follow this one setting out the basis for transfer of assets to the PIP.

9.2.11 However, it should be borne in mind that the approval of the Project Plan by the Council is a precondition for the exercising of the Option Agreement currently held by the PIP to acquire the Council's land and buildings at Fletton Quays and Pleasure Fair Meadows Car Park. As a consequence of the decision to approve the Project Plan the PIP will have cleared this precondition in their option agreement and then be in a position to call on the Council to transfer the land. The nature of the option and the mechanism together with alternatives considered by the Council and the implications for the Council of each of these will be set out in the decision notice to follow. If the Project Plan is approved by the Council and the PIP do call for the land to be transferred by virtue of the legal option that they hold then the Council will be contractually obligated to transfer the land. The Council may decide in the subsequent decision notice that it does not want to do so and recognises that it will potentially be in breach of contract. However this is not the subject of this decision notice as this is merely about the Council deciding whether to support development proposals set out in the annexed Project Plan, not the subsequent land transfers and consequences of it.

9.3 Legal

9.3.1 The Council entered into a Members Agreement on the 24th December 2014 with Lucent Peterborough Partnership SARL (a wholly-owned subsidiary of the Lucent Strategic Land Fund), becoming a partner in the Peterborough Investment Partnership LLP at that time.

9.3.2 This Members Agreement requires that Project Plans be agreed by both the JV LLP's Board (on which the Council has two of the four seats) and the Council and Lucent subsequently and separately to this before the Peterborough Investment Partnership (PIP) can take them forward. To be clear, the Council (as an LLP member) can decide not to approve the Project Plans, but without that approval the PIP cannot put that – or any other – plan into action. The same protections exist for our partner, Lucent, as decision making is designed to always be by consensus.

9.3.3 If the Project Plan is not approved, it would be for the PIP to decide whether to amend and potentially resubmit it to the Council. If the Project Plan is approved, then it becomes an 'adopted' Project Plan for the PIP and can be taken forward.

9.3.4 One point to note is that where the Council has granted an Option Agreement on a land asset to the PIP, the approval of a Project Plan that needs that asset will allow the Option Agreement to be exercised. Put another way, if the PIP has an Option Agreement for Fletton Quays and Pleasure Fair Meadows Car Park, it cannot exercise that Option and acquire the site from the Council unless a Project Plan for Fletton Quays has already been approved. Therefore, the approval of the Project Plans in this CMDN will activate the Option for the Fletton Quays site, which also includes the Pleasure Fair Meadows car park, allowing their acquisition by the PIP.

9.3.5 If and when the PIP decides to exercise such Options, the disposal would follow the usual process and a separate CMDN will be required to approve it. It should be noted that once the PIP exercises their rights under such Options for the land assets, the Council is under a legal obligation to transfer the assets.

9.3.6 It is important, for clarity, to re-iterate that approval of the Project Plans is not a commitment by the Council in respect of the outcome of any planning application – which would be dealt with on its own planning merits in the usual way – or to any land transfer or the price / value of any such transfer.

10. DECLARATIONS / CONFLICTS OF INTEREST & DISPENSATIONS GRANTED

The Leader has authorised the Cabinet Member for Resources to exercise the authority to review and approve the Project Plan. The Cabinet Member for Growth, Planning, Housing and Economic Development is unable to take this decision as he is a board member of the PIP. This decision is exercised under Part 3 Section 3 of the Council's Constitution.

11. ANNEXES

Annex 1 – Exempt Annex

Annex 2 – Peterborough Investment Partnership's Fletton Quays Project Plan

12. BACKGROUND DOCUMENTS

Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985) and The Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012

Progressing Funding for Peterborough's Future Growth - DEC14/CMDN/110

<http://democracy.peterborough.gov.uk/ieDecisionDetails.aspx?ID=1022>

Growth Delivery Arrangements - FEB14/CAB/17

<http://democracy.peterborough.gov.uk/ieDecisionDetails.aspx?ID=903>