

# ROYAL BOROUGH OF KINGSTON UPON THAMES

## FINANCE AND CONTRACTS COMMITTEE

18 MARCH 2019

7:30 pm – 9:35 pm

Councillors Dave Ryder-Mills (Chair), Alison Holt (Co-Chair), Rowena Bass, Mark Beynon\*, Liz Green, Jaesung Ha, Jason Hughes, Christine Stuart\*, Sharron Falchikov-Sumner, John Sweeney and Sharon Young

\* Absent

### 45. Public Questions

Questions were received from a member of the public regarding an alleged potential data breach concerning the Council's parking contractor and a lack of clarity in the Council's letters to residents regarding Housing Benefit entitlement and Council Tax reductions. A written response would be provided in respect of the former and Officers would look further into the latter issue.

### 46. Apologies for Absence and Attendance of Substitute Members

Apologies were received from Councillors Christine Stuart and Mark Beynon together with apologies for lateness from Councillor Liz Green.

### 47. Declarations of Interest

There were no declarations of interest.

### 48. Minutes

The minutes of the meeting of the Committee held on 23 January 2019 were confirmed and signed.

### 49. Boundary Commission Review - Sizing Report

The Committee received and considered the Council's proposed submission to the Local Government Boundary Commission on the size of the Council.

Members noted that the Boundary Commission for England was undertaking a periodic review of Kingston's electoral arrangements with stage 1 focusing on the number of elected Members the Council required. The submission to the Commission set out the Council's governance arrangements, the representational role of Members and their broader range of functions and responsibilities. It also highlighted the recently strengthened role of the Neighbourhood Committees and reflected feedback from Members drawn from a survey designed to gain an understanding of their workload, together with Member comments on the impact of any increase or decrease in their overall number.

The Committee welcomed the report and concurred with its recommendation that the Council should retain a total of 48 elected Members. It was noted that the

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Boundary Commission would publish its conclusions on 23 April 2019 and stage 2 of the review, which would look at the ward boundaries, names of the wards and number of Members per ward would commence thereafter.

**RESOLVED** that –

1. the draft report on Council size attached at Annex 1 to the agenda be approved for submission to the Local Government Boundary Commission for England; and
2. The Director, Corporate and Commercial be authorised to make any final minor amendments to the report ahead of submission to the Commission in consultation with the Leader of the Council and the Leader of the Opposition.

Voting – Unanimous (*Councillor Green not present*)

**50. Recruitment Agency Contract - Variation**

The Committee approved an extension of 12 months to the existing agency recruitment contract with Adecco. The existing framework was due to expire and further time was needed to appraise the various commissioning options for how the Council secured its agency and professional services and ensure that the Council had all options open to it. Potential procurement routes would not be in place until October 2019 at the earliest. Extension would provide the Council with continuity of service while fully exploring longer term arrangements for the sourcing of agency workers.

The value of the extension was approximately £3.5m. It was noted that contracting with Adecco had delivered year on year efficiency and financial savings to the Council and a recent wide ranging programme of work had brought about a significant reduction in the number of agency workers engaged at the Council.

**RESOLVED** that –

- 1) the current agency contract with Adecco be extended by means of variation, for a period of twelve months to April 2020; and
- 2) the Director, Corporate and Commercial be authorised to put in place a deed of variation to allow a contract variation term of 12 months.

Voting:

For: Councillors Ryder-Mills, Holt, Ha, Falchikov-Sumner, Sweeney and Young (6)

Against: None

Abstentions: Councillors Bass and Hughes (2)

(*Councillor Green not present*)

**51. Cambridge Road Estate Redevelopment Joint Venture Contract Award**

The Committee gave consideration to the establishment of a Joint Venture (JV) with Countryside Properties (UK) Ltd for the delivery of the redevelopment of the Cambridge Road Estate.

Countryside had previously been appointed as the preferred partner for the comprehensive redevelopment of the estate in Norbiton, which presently comprised over 830 homes, in order to deliver new homes and community facilities that met modern standards. Due to the relatively low density of the estate and its proximity to transport routes and amenities, redevelopment of the estate also provided an opportunity to build a significant number of additional homes including additional social rented homes, consistent Government and GLA requirements to significantly increase housing of all tenures within the borough.

Members now received details of the extensive Competitive Dialogue procurement process designed to evaluate the respective bids from prospective development partners which had ultimately led to a recommendation by the Council's development advisor, Savills, that the contract now be awarded to Countryside.

The Committee also noted the structure of the proposed joint venture arrangements, the project documents that would govern the working of the Limited Liability Partnership (LLP) to be established with Countryside, details of the Completion Agreement designed to govern the relationship between the two parties in the run up to the proposed voluntary ballot of residents, governance arrangements for the LLP, the financial and legal implications and a summary of the key risks and mitigating actions.

Key features of the Countryside offer included experienced JV Board Directors, detailed consideration of residents interests including the meaningful involvement of residents through a Community Board, an approach that met the Council's risk position and flexibility around potential abortive costs following the resident ballot, a detailed, practical and reasoned masterplan, a considered sales strategy with a commitment to prioritise the local market, a strong offer around local labour and suppliers, a commitment to reduce the environmental impact and a strong financial offer.

Members noted that a JV structure, in which decision making, risk and reward were shared and both parties were responsible for delivering the development was considered to be the most beneficial because it delivered the following key benefits for the Council:

- An experienced JV partner would bring skills, expertise, capacity and funding to deliver a major regeneration project with a gross development value of £800m
- Risk and reward would be shared on a 50-50 basis
- The right level of control would be exercised by the Council to ensure that its objectives for the estate were achieved
- The long term opportunity jointly incentivised both partners to work closely throughout the pre-development and delivery phase to achieve their objectives

A Limited Liability Company would be established with Countryside to bring forward the development. Its objectives would be:

- A comprehensive redevelopment of the estate that prioritised the needs of the local community

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- A transformed neighbourhood with a public realm led, high quality living environment and high quality architecture and urban design
- New homes for all the estates's secure tenants and resident leaseholders who wished to remain living there
- A guaranteed minimum of 767 social rented homes assuming full delivery of the scheme, with an aspiration to achieve 900 social homes
- Appropriate returns to the LLP members as set out in the LLP Business Plan

Both parties would be required to commit funds and undertake significant preparatory work prior to the residents ballot and would therefore enter into a Completion Agreement to regulate their responsibilities, set out the various work streams and cover the treatment of pre-ballot costs. In the event of a positive ballot outcome Countryside would meet the costs associated with the Completion Agreement, currently estimated at up to £3m. If the project did not proceed as a result of the ballot outcome the Council and Countryside would share the costs on a 50:50 basis.

The Committee noted that the LLP Board, which would start to operate formally after a positive ballot outcome and was tasked with delivering the agreed business plan would comprise four representatives from both the Council and Countryside with each organisation having one vote. The Council's representatives would be required to have appropriate levels of experience and at least one a financial background. It was likely that they would be the Portfolio Holder for Housing and one other elected Member, the Director of Growth and the Director of Corporate and Commercial.

A Community Board would act as a representative body for the community with formal lines of reporting between it and the LLP Board. The Community Board would comprise the Chairs of the three existing community Groups, CRERA, CREST and One Norbiton and at least four other resident members and other stakeholders if required, together with the three Norbiton Ward Councillors.

The project would be funded and approved phase by phase on a 50:50 basis. At the beginning of each phase the Council would transfer the relevant land into the LLP with the value of the land being matched by Countryside with an equivalent cash facility which would be drawn down as required. Full details of the financial model were noted by the Committee but it was recognised that the ballot, master planning and formal planning process had yet to be undertaken so the model and the financial performance of each phase of the development was subject to ongoing change. This would be managed through the LLP Board business planning process.

Modelling of the financial case for the regeneration proposal against the most recent Housing Revenue Account (HRA) 30 year business plan had demonstrated that it was affordable. The HRA would provide the land to enable the regeneration and, in return would receive a land value payment and 50% of any profit generated by the LLP, minus the purchase cost of the new homes. The General Fund would provide any additional equity investment above land value which might be required by the LLP. This was likely to be funded by borrowing. To minimise the impact and risk an annual interest payment on that investment above the cost of borrowing would be required by the Council.

In response to questions from Members the Committee was informed that the dialogue process had identified a good fit between the Council and Countryside, which was the most important ingredient of a successful joint venture. Resident membership of the LLP Board was not considered appropriate because of the potential conflict of interest that would be created but it was emphasised that meaningful community engagement had always been at the heart of the project and the Community Board would provide a wide group of residents with the opportunity to feed directly into the LLP Board. Residents had been involved in the procurement process and there were plentiful opportunities for engagement including the ballot and master planning process.

Concerns were raised by the Cambridge Road Estate Residents Association regarding the proposed density, lack of information on the infrastructure required to support the growth, the consultation process and the confidentiality of the commercial contract.

A full written response addressing these issues would be provided but it was emphasised that the Council would be as transparent as possible within the constraints of the commercially confidential aspects of the agreement - the arrangements continued to reflect the aspirations and assurances previously provided. Residents would continue to be engaged throughout the project. The planning process was independent and the Council as Local Planning Authority would scrutinise all infrastructure needs as robustly as it would for any other large scale project. The estate would meet the stringent density requirements and the strategic development brief on which the project was tendered had been developed in consultation with residents.

**Full Council is RECOMMENDED to agree to:**

1. award the contract to Countryside Properties (UK) Ltd;
- 2 the establishment of the Limited Liability Partnership (LLP);
3. delegate to the Finance and Contracts Committee the authority to:
  - (a) appoint RBK councillors and officer representatives to the LLP Board and any other related body; and
  - (b) review and approve LLP Business Plans; and
4. delegate to the Director of Growth, in consultation with the Director of Corporate and Commercial, Leaders, relevant Administration Portfolio Holders, and Opposition Spokespeople, the authority to agree the name of the Joint Venture LLP, negotiate the final detailed terms of the agreements being entered into, and authority to agree that the Council enter into the following agreements:
  - LLP Members' Agreement
  - Development Agreement
  - Completion Agreement
  - Phase Lease and Works Agreement
  - CPO Indemnity Agreement
  - Project Management Agreement
  - Construction Management Agreement
  - Corporate Services Agreement

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- Any ancillary agreements or documents necessary to give effect to the setting up of the Joint Venture LLP in accordance with the agenda report and its appendices

Voting

Items 1, 2 and 4

For: Councillors Ryder-Mills, Holt, Bass, Green, Ha, Hughes, Sweeney and Young (8)

Against: Councillor Falchikov-Sumner (1)

Abstention: None

Item 3

For: Councillors Ryder-Mills, Holt, Green, Ha, Sweeney and Young (6)

Against: Councillors Bass, Falchikov-Sumner and Hughes (3)

Abstain: None

**52. Urgent Items Authorised by the Chairman**

There were no urgent items.

Signed.....Date.....  
Chair