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**HINCKLEY & BOSWORTH  
BOROUGH COUNCIL**



Hinckley & Bosworth  
Borough Council

*A Borough to be proud of*

**AGENDA FOR THE  
MEETING OF THE COUNCIL  
TO BE HELD ON  
TUESDAY, 18 DECEMBER 2012  
at 5.30 pm**

# Fire Evacuation Procedures

## Council Chamber

- On hearing the fire alarm, leave the building **at once** quickly and calmly by the nearest escape route (indicated by green signs).
- *The nearest escape route to the Council Chamber is at the rear of the Chamber. Push the bar to open, proceed down the spiral stairs and push bar to exit the doors.*
- Proceed to **Assembly Point 3** which is located in Car Park at the side of the building.
- **Do not** use the lifts.
- **Do not** stop to collect belongings.

**Steve Atkinson** MA(Oxon) MBA FIoD FRSA  
Chief Executive

Date: 10 December 2012



Hinckley & Bosworth  
Borough Council

*A Borough to be proud of*

Dear Sir/Madam

I hereby summon you to attend a meeting of the Hinckley & Bosworth Borough Council in the Council Chamber at these offices on **TUESDAY, 18 DECEMBER 2012 at 5.30 pm**

Yours faithfully

A handwritten signature in black ink, appearing to read 'RK Owen'.

Miss RK Owen  
Democratic Services Officer

### **AGENDA**

1. Apologies
2. Declarations of Interest
3. To consider the following reports:-
4. Hinckley Hub - Update on Progress and Governance (Pages 1 - 6)
5. Sale of Land Adjacent to Stoke Road (Pages 7 - 12)

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**COUNCIL – 18 DECEMBER 2012**

**HINCKLEY HUB – UPDATE ON PROGRESS AND GOVERNANCE  
REPORT OF DEPUTY CHIEF EXECUTIVE (CORPORATE  
DIRECTION)**



Hinckley & Bosworth  
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**WARDS AFFECTED: ALL WARDS**

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**1. PURPOSE OF REPORT**

- 1.1 To update members on progress of the Hinckley Hub project in light of the announcement of J H Hallam Contracts Ltd appointing Administrators on the 21<sup>st</sup> November 2012.
- 1.2 To highlight to Members the governance of the Hinckley Hub project and the contractual relationship between MRP Developments Ltd and the Council, MRP Developments Ltd and JH Hallam Contracts Ltd and MRP Developments Ltd and Aviva Plc.

**2. RECOMMENDATION**

- 2.1 Members note the content of this report and welcome the outcome achieved in the very difficult economic circumstances now prevailing.

**3. BACKGROUND**

**3.1 CHRONOLOGY OF DECISIONS:**

On June 29<sup>th</sup> 2010 Council were presented with the Council Relocation Options

- To inform Council of the options for the re-location of the Council Offices from the current Argents Mead and Florence House sites.
- To seek Council approval of the preferred relocation option.

The report concentrated on three options for Members to consider and the associated advantages and disadvantages of each. MRP Developments Ltd was selected as the preferred option and at the time the following Headline Lease Terms were agreed:-

- Term: 30 years
- Type: Full repairing and insuring
- Demise: The former Flude site on the corner of Hawley Road and Rugby Road (the Southern gateway). The ground floor of the new infill extension, Total net lettable area for offices etc = 28,956 sq. ft
- Car parking: 95 car spaces (out of a total of 130 spaces)
- Rent: Year 1 £14.50 per square foot = £419,862 per annum  
Year 2 £15.00 per square foot = £434,340 per annum  
Year 3 onwards, £16 per square foot = £463,296 per annum  
From year 4 onwards, annual uplifts in rent by RPI, with a collar of 1.5%/5%
- Rates: Payable by the tenant  
The only proposed shared facility is car parking infrastructure (roads, security equipment, charging equipment etc). It is proposed that The Council undertake to maintain this infrastructure within their lease terms with recharge provisions in respect of any spaces allocated to other tenants

- Service charge: None proposed for The Council
- Legal costs : Each party to bear their own legal costs

A number of Developer incentives were also included in the offer from MRP Developments Ltd

- £300,000 unconditional cash payment. In order to smooth the impact of the rental payments in 2012/13 and 2013/14 and in order to support the cost of maintenance of the current Argents Mead offices, whilst remaining in occupation
- A further £75,000 payable for every 5,000 square feet (and pro rata for smaller amounts) of additional floor-space leased by partner organisations introduced by HBBC
- One month rent-free period to The Council
- Two years rent free occupation of the café
- BREEAM Very Good with a clear aspiration to meet an Excellent rating

It was agreed that the Deputy Chief Executive (Corporate Direction) and the Estates and Asset Manager be given delegated responsibility in consultation with the Lead Member for Finance, ICT and Assets, for agreeing with MRP Developments Ltd the office development specification and BREEAM rating and contractual terms of the lease in conjunction with the Chief Officer for Corporate Resources.

Positive progress was then made in bringing forward the Hinckley Hub project and the initiative to co-locate with other public partners to the proposed new Masterplan development.

In April 2011 **Executive report (No Exec53)**- Executive Members agreed with the concept of co-location with other public partners to the Hinckley Hub whilst acknowledging the associated risks and mitigating developer incentives. At this time the Executive also confirmed support for signing of the head lease of the Hinckley Hub building allowing the project to be developed within the agreed timescales.

In August 2011 **Council report (No C19)**– Council was given an update on the final position with regard to partner organisations co-locating their services within the Hinckley Hub development on the corner of Hawley Road and Rugby Road in Hinckley. It was agreed that the Council enter into the Head Lease for 41,042 sq/ft. Following this decision, the Deputy Chief Executive (Corporate Direction), in consultation with the Lead Member for Finance, ICT and Assets was able to further re-negotiate the lease terms and developer's incentives with MRP Development Ltd.

In October 2011 **Council report (No C25)**– Members approved the additional developer incentive brought about by a change in MRP Developments Ltd funding provider for the project. In return for extending the 30 year lease term for the Hinckley Hub development to 35 years the freehold of the development would be transferred to the Council for the consideration of £1.00 on completion of the extended lease term. The freehold will include the Hinckley Hub building and the land on which it is developed as identified in the agreed contract documentation.

The terms of the lease were finalised as:

- Term: 35 years with freehold interest reverting to the Council.
- Type: Full repairing and insuring
- Demise: The former Flude site on the corner of Hawley Road and Rugby Road Total net lettable area for offices etc = 41,042 sq. ft
- Car parking: 130 car spaces
- Rent: Year 1 £14.50 per square foot = £595,109 per annum

Followed by Annual Uplifts in rent by RPI with a cap of 4.5% (**note collar removed and cap reduced to from 5%**)

- Rates: Payable by the tenant
- Service charge: None proposed for The Council
- Developer Incentive: £250,000 paid on completion of the Agreement to Lease  
£750,000 to be paid on signing the lease
- Legal costs : Each party to bear their own legal costs

The Council signed the agreement to lease with MRP Developments Ltd on 31<sup>st</sup> October 2011

MRP Developments Ltd carried out their own procurement exercise for a Main Contractor to run the construction phase of the Hinckley Hub Development. The Council was not formally a party to this process but was advised of the four tenders being received in February 2011 with the successful contractor J H Hallam Contracts Ltd being appointed in April 2011.

Works on site commenced on Tuesday 9<sup>th</sup> January 2012 and were programmed for a 53 week period, with Practical Completion being the 7<sup>th</sup> January 2013.

### **3.2 CONTRACTUAL AGREEMENTS**

- The Council has an Agreement to Lease with MRP Development Ltd once the building is completed to the specified standard i.e. to BREEAM standard and specification. The Council does not have ownership rights to the building at present.
- Aviva Plc have purchased the land from MRP Development Ltd and are forward funding the development.
- Aviva are withholding the “profit” element of the development from MRP Development Ltd until the development is complete. This profit element will be used to cover any additional costs from having to re-issue the contract to another contractor.
- MRP Developments Ltd also have Bonds in place and have a guarantee from J H Hallam Contracts Ltd parent company (which is not in Administration) to cover any cost over runs.
- Whether MRP Developments Ltd trigger the Bond or the company guarantee or revert to Aviva to use the profit retention is for MRP Developments Ltd and Aviva to determine.
- The Council is therefore completely protected through this arrangement and has no financial exposure. The Council should also be assured because the interests of Aviva are very closely aligned to the interests of the Council i.e. get the contract re-issued to another contractor as soon as possible to complete at the same high standards as set out in the development agreement between MRP Developments Ltd and Aviva.
- There is also no financial liability to the Council’s partners who were informed of the position immediately. LCC will stay in their current accommodation in Upper Bond St until the building is complete and Job Centre Plus is not due to move into the Hub until October 2013.
- The Council had no part to play in the appointment of J H Hallam Contracts Ltd. Aviva Plc and MRP Developments Ltd’s Quantity Surveyor carried out the Tender process including the financial evaluation which was good when the contract was awarded. The financial health of J H Hallam Contracts Ltd deteriorated over the last 12 months.

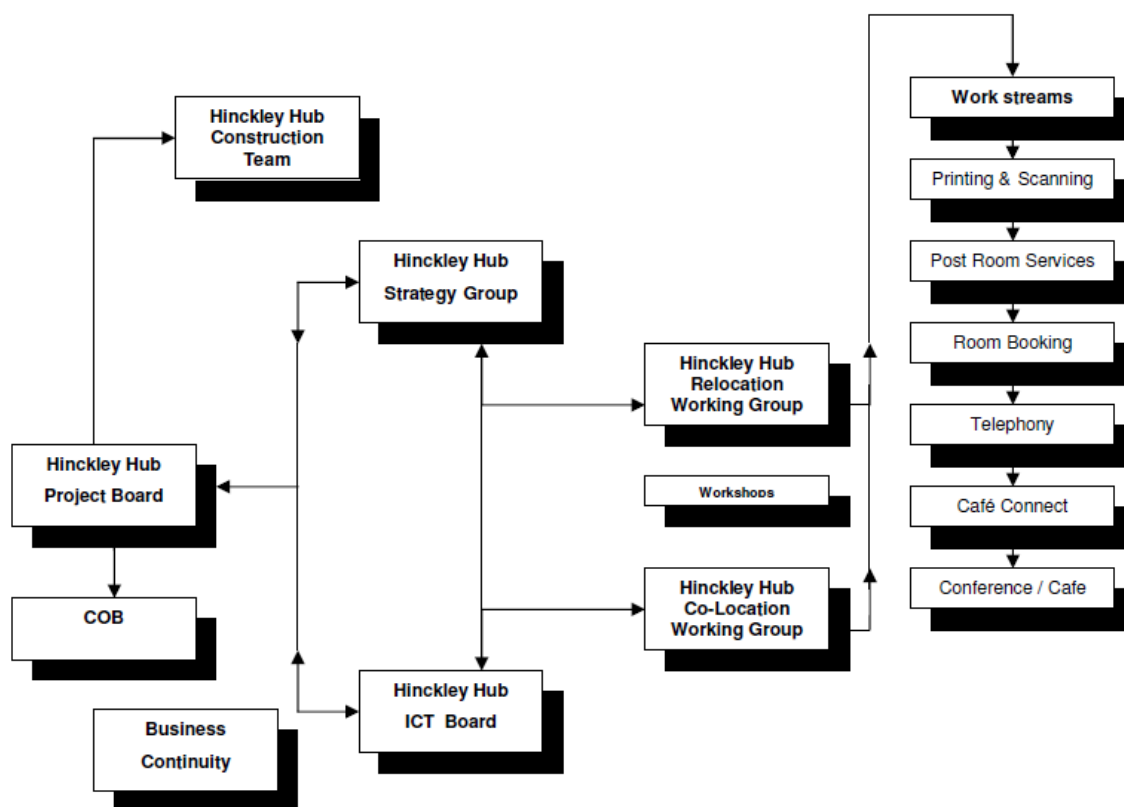
It should be noted that If the Council had not had the current arrangement in place and had contracted with J H Hallam Contracts Ltd directly then the situation would have been very different for the Council with the risk of considerable delay in completing the building with a far higher risk of financial loss.

It is a requirement of the Council to MRP Developments Ltd that in the event of instructing a new Main Contractor under a new contract the Council would insist that the incoming contractor take full liability for all aspects of the job from day one and, wherever possible, adopt the existing sub contractors to complete the building works and provide continuity. \*It is anticipated that there will be a delay on site whilst a new Main Contractor can either be novated or a new building contract instructed. These delays will be detailed to Members as soon as a new building programme has been presented to the Estates team. Delays are likely to bring Practical Completion to late April early May 2013.

At the date of writing this report (10<sup>th</sup> December 2012), the Deputy Chief executive (Corporate Direction) and the Estates and Assets Manager have received confirmation from MRP Developments Limited and Stepnell Limited that the contract with Hallam has been terminated and awarded to Stepnell Ltd subject to final documentation and that work on site will commence before Christmas. Stepnell Ltd have also confirmed that the company will be taking over all warranties for works completed to date and those be completed. A further up date will be given to Members at the meeting.

### 3.3 GOVERNANCE

The Hinckley Hub project has been lead by the Council’s Estates and Asset Management Service under the direction of the Deputy Chief Executive (Corporate Direction), with overall project management responsibility falling to the Estates and Asset Manager. Governance arrangements have followed in accordance with the Councils usual Project Management processes.





A member board meets on a monthly basis. The composition of this Board is as follows:

- Executive Member for Finance, ICT and Assets
- Executive Member for Corporate Services and Equalities
- Deputy Chief Executive (Corporate Direction)
- Estates and Assets Manager
- Richard Anderson (MRP Developments Ltd)
- Mark Wilmott (MRP Developments Ltd)

Progress on the delivery of the project is fed back by the Deputy Chief Executive (Corporate Direction) to the Strategic Leadership Board at every formal and every weekly briefing meeting. The Leader of the Council is briefed by the Executive Members and by the Chief Executive.

The above Board meets with a wider Partnership Board once a quarter. This Board has officer and in the case of Leicestershire County Council Member representation from:

- Leicestershire County Council
- Leicestershire Probation Service
- Job Centre Plus
- Citizen Advice Bureau

**4.0 FINANCIAL IMPLICATIONS [IB]**

4.1 The additional costs associated with staying at Argents Mead for two months will be £24,000. The net saving for not paying costs for the Hub will be approximately £70,000 (due to saving of total cost if the Council had moved to the Hub in January when the partners would not have been occupying the building).

4.2 Additional costs for ICT lines to Jubilee Building will be £10,000. These lines were to be installed at the same time as the move to the Hub.

4.3 The estimated net impact is therefore a net saving estimated to be £36,000.

**5. LEGAL IMPLICATIONS [AB]**

The agreement to lease places an obligation on MRP Developments Ltd to use all reasonable endeavours to complete the building of the development. This obligation continues notwithstanding the administration of J H Hallam Contracts Ltd who is the building contractor.

MRP Developments Ltd is also under an obligation to use all reasonable endeavours to procure a collateral warranty in favour of the Council from any contractor working on site. With the incoming main contractor being required to take full liability for the project, the Council will benefit from a full collateral warranty for any defect in the construction of the building.

**6. CORPORATE PLAN IMPLICATIONS**

The Hinckley Hub will support the delivery of effective, economic and efficient service delivery to citizens of the Borough.

**8. RISK IMPLICATIONS**

Management of significant (Net Red) Risks		
Risk Description	Mitigating actions	Owner

9. **KNOWING YOUR COMMUNITY – EQUALITY AND RURAL IMPLICATIONS**

Equality and rural implications with all partner organisations and the Council staff will need to be undertaken and have begun and will continue to be considered throughout the life of the project.

10. **CORPORATE IMPLICATIONS**

By submitting this report, the report author has taken the following into account:

- Community Safety implications
- Environmental implications
- ICT implications
- Asset Management implications
- Human Resources implications
- Planning Implications
- Voluntary Sector

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Background papers: Reports - Exec53, Council C19 & C25

Contact Officer: Sanjiv Kohli Ext 5607 and Malcolm Evans 5614  
Executive Member: Cllr Keith Lynch

**COUNCIL – 18 DECEMBER 2012**

**SALE OF LAND ADJACENT TO STOKE ROAD**  
**REPORT OF DEPUTY CHIEF EXECUTIVE (CORPORATE**  
**DIRECTION)**



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1. **PURPOSE OF REPORT**

1.1 To update members on the current position regarding the sale of land adjacent to Stoke Road (Former Boys Club) to Morris Homes.

1.2 For members to confirm the sale as negotiated in the agreed terms with Morris Homes.

2. **RECOMMENDATION**

2.1 Members confirm the sale of the land adjacent to Stoke Road for the sum of £2.3m and on the terms set out in paragraph 3.16 below

3. **BACKGROUND**

3.1 The land lies close to the junction between Tudor Road and Stoke Road towards the northern perimeter road (Normandy Way) of Hinckley and was formally known as the Stoke Road Boys Club. The site in question is divided in two by a service road that links Richmond Park Primary School. The total site area equates to 5.26 acres which includes the LCC owned access driveway.

3.2 The land adjacent to Stoke Road was highlighted in the 2005 disposal strategy and identified as a site with residential development potential. The valuation for the site based upon residential values in January 2006 totaled £3,600,000 based upon the site being sold in its entirety.

3.3 This valuation in January 2006, of £3.6 million excluded any abnormal, onerous or exceptional costs. i.e demolition costs of the building, services at appropriate levels and capacity for the developments connection, the school access "that the County Council will not otherwise seek to benefit from the development of the site by way of ransom", S106 contribution costs and unexpected ground conditions leading to increased costs of construction.

3.4 On July 20<sup>th</sup> 2007 a report from the Head of Culture and Development titled Hinckley Club for Young People Project was presented to Executive.  
report Exec12

*"To inform Executive Members on progress of the scheme to date to relocate Hinckley Club for Young People and to seek agreement to further develop this scheme".*

Within this report the sale of the Stoke Road site was recommended for a net £2m capital receipt. The report identified the land identified would therefore provide a capital gain from the sale.

- 3.5 On 29th March 2007, Hinckley and Bosworth Borough Council entered into an agreement with Morris Homes Limited to release the option they had previously secured over the Atkins Site so that the development of the exiting new premises for North Warwickshire and Hinckley Collage could proceed. A further agreement granted Morris Homes the option to purchase the land at Brodick Road, Hinckley. In the event that this option was not exercised Morris Homes benefitted from a pre-emption agreement whereby the Borough Council was required to give Morris Homes first refusal of any land to be sold by the Council prior to 29<sup>th</sup> March 2012 which could be developed with a minimum of 50 residential units.
- 3.6 A report to Scrutiny Commission on the 11<sup>th</sup> October 2007 considered the Hinckley Club for Young People again with the sale of Stoke road being identified in the body of the report.  
report SC49
- 3.7 Finance and Audit Services Select Committee met on the 17th December 2007 and heard the report of the Director of Finance regarding the Capital Programme 2007/2008 to 2010/2011. Three key land disposals were referred to and included the Land at Stoke Road.  
report FASC41
- 3.8 On February 18th 2008, the Hinckley Club for Young People project was given approval to proceed by members of the Executive. The report identified the legal implications of the disposal of the land at Stoke Road. The report Highlighted that the disposal of the open space at Stoke Road would need to be in line with the procedure in S123 (2A) of the Local Government Act 1972; that is the disposal would need to be advertised for two successive weeks in the local press and any representations received as a result of the advertisements would need to be considered before confirming the disposal of the land. The advertisement of the proposed sale was placed in the Hinckley Times on the 9<sup>th</sup> and 16th December 2010. No representations were received as a result of the advertisement.  
report EXEC57
- 3.9 Finance and Audit Services Select Committee on the 17th March 2008 endorsed the support already confirmed for the project to relocate Hinckley Club for Young People to Richmond Park. The report confirmed that, preparations to sell the land off Stoke Road for the maximum capital receipt would commence shortly.  
report FASC53
- 3.10 By 30th March 2009 Morris Homes had not exercised their option over Brodick Road, Hinckley and the conditions of the pre-emption agreement were initiated. The Estates and Asset Manager was charged to identify the likely sites that would satisfy the minimum requirement of developing 50 residential units within the Authorities land holdings. The following sites were identified -
- Hinckley Leisure Centre Coventry Road  
Council Office Depot Site Middlefield Lane  
Land adjacent to Stoke Road Hinckley  
The Council Offices site at Argents Mead
- 3.11 The valuation of Stoke Rd was updated on the 21st December 2009 to £2,565,000, around £487,642 per acre based upon the same assumptions identified in the earlier report. The valuer stated that as a result of the financial crisis of 2007 and 2008 demand for residential development fell away steeply with very few if any transactions completing over this period. We had current evidence relating to the sale of a development site in Hinckley for the sum equivalent to £500,000 per developable acre

- 3.12 On 23rd February 2010 negotiations towards a conditional contract for the sale of Stoke Road began with Morris Homes based upon the revised valuation and need to release this Council from the pre-emption agreement with Morris Homes. This required Morris Homes to carry out their own site investigations and apply for planning approval for their proposed scheme.
- 3.13 On 14th February 2011 a report to Finance and Audit Select Committee confirmed detailed negotiations were taking place on the sale of the former Stoke Road Boys Club Site.  
report FASC46
- 3.14 As a comparison on land values Scrutiny Commission on the 8th September 2011, discussed comparative land values in relation to any potential development of Argents Mead. The view of Lambert Smith Hampton view was that it is very difficult to assess current market values in light of (i) lack of current market evidence, and (ii) the lack of property being brought to the market at current "bottom of the market" conditions. LSH said it was therefore reasonable to apply c.£0.5m/acre (£1.25m/hectare) to Argents Mead.  
report SC14
- 3.15 Negotiations for a Conditional Contract with Morris Homes were concluded on 27<sup>th</sup> May 2011. This contract stated the sale would be conditional on the grant of acceptable planning permission and the Council being able to give vacant possession of the site.

The purchase price was agreed at £2.3 million and it was agreed that there would be no reduction in this price as a result of S106 contributions  
Section 106 attached and break down is:-

- Affordable Housing – (13 units)
- Play and Open Space – (£124,611.50)
- Education – (£128,486.12)
- Public Transport – Travel Packs at £50.18; Bus Passes at £325.00 per pass and £3,852.00 per bus stop.

or abnormal conditions. The payment would be split on the following basis:

- a) £230,000 deposit paid immediately but to be held to until completion
- b) £1,035,000 paid on completion
- c) £1,035,000 paid 12 months after completion

For the period between completion and final payment the land is subject to a legal charge in favour of the Council to secure the monies due to the Council

Morris Homes were also required as a part of the sale to make the link road between Stoke Rd and Richmond Park Primary School up to an adoptable standard and relocate the entrance to the site in order to allow school busses to use the access. A footpath was also required to be extended to allow safe pedestrian access to the school along with timed /automated school gates to be fitted at the access to the school.

- 3.15 In responding to the enquiry by the Council's Estates and Assets Manager to confirm "best value" for the land at £2.3million for the sale of the site Sturgis, Snow and Astill confirmed by email on 4th July 2012 that the value reported in December 2009 was £2,565,000 (Two Million Five Hundred and Sixty-Five Thousand Pounds). They also drew attention to the specifics of the report that included the following assumptions:-

“Our valuation assumes there to be no exceptional ground conditions requiring unconventional foundation design nor unusual building costs or costs associated with servicing the site.

It is assumed that the most cost-effective means of retaining access to third party land (including the School) at the rear of the site can be implemented”.

Sturgis Snow and Astill concluded that “in practice I’ve never known a developer confirm that there are no unusual costs of development. ***I am not surprised therefore that the sale figure is a little lower than the value reported (notwithstanding the time differential)***”.

As a part of the year end accounting process Price Waterhouse Coopers LLP agreed to the fair value of the site.

3.18 On February 23rd 2012 an update on progress made on the sale of Stoke Road was given to the members of the Asset Management Strategy Group advising that planning consent has now been granted for this site and the disposal at £2.3m would move ahead – payment to be phased as development proceeds.

3.19 The sale to Morris Home is now to be completed on the terms as set out above in paragraph 3.16 on 3<sup>rd</sup> January 2013, subject to confirmation by the Council.

#### 4.0 **FINANCIAL IMPLICATIONS [IB]**

4.1 It was agreed by Council on February 24 February 2011 that the receipt would underpin the capital programme. Therefore receipt from the site has already been committed to finance the capital programme. The amount of £2,300,000 was detailed in the Portfolio holders Finance Statement presented at the same meeting.

4.2 In accordance with Financial Procedure rules Members are requested to agree the receipt from the sale of the site totalling £2,300,000. Stage receipts are as follows:-

Receipt 1 £230,000 received 27/5/11 (being held as a deposit )

Receipt 2 £1,035,000 due 3/1/13

Receipt 3 £1,035,000 due 3/1/14

4.3 The valuation of £2,300,000 was confirmed with Sturgis Snow & Astill as part of year end accounting process. Price Waterhouse Coopers LLP as part of their annual audit, agreed to the fair value of the site.

#### 5. **LEGAL IMPLICATIONS [AB]**

The conditions set out in the conditional agreement with Morris Homes have now been met and the requirement to advertise the sale for two weeks under S123(A) Local Government Act 1972 have been complied with.

#### 6. **CORPORATE PLAN IMPLICATIONS**

The sale of the land adjacent to Stoke road will complete the Club for Young People project which provided for a high quality and valued community facility in Hinckley. The disposal has been identified in the Asset Management disposal strategy.

7. **RISK IMPLICATIONS**

Management of significant (Net Red) Risks		
Risk Description	Mitigating actions	Owner
By not agreeing to the sale of the land, the Council would be exposed to serious risk of litigation and considerable costs, a much lower valuation (lower 'best value') and significant reputational damage.	Confirm agreement at this meeting	Council

8. **KNOWING YOUR COMMUNITY – EQUALITY AND RURAL IMPLICATIONS**

Future development of the land is in accordance with planning policy for residential development within Hinckley. In preparation of the land sale a planning application has been approved.

The development will improve access to Richmond Primary School allowing direct access via an adoptable standard road and pedestrian link.

9. **CORPORATE IMPLICATIONS**

By submitting this report, the report author has taken the following into account:

- Community Safety implications
- Environmental implications
- ICT implications
- Asset Management implications
- Human Resources implications
- Planning Implications
- Voluntary Sector

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Background papers: REPORT NO. EXEC12, REPORT NO. SC49 REPORT NO FASC41, REPORT NO FASC47, REPORT NO SC87, REPORT NO. EXEC57,REPORT NO FASC53, REPORT NO FASC28,REPORT NO FASC35, REPORT NO FASC38, REPORT NO FASC39, REPORT NO FASC46, REPORT NO C47, REPORT NO SC14

Contact Officer: Malcolm Evans 5614  
Executive Member: Cllr Keith Lynch

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