

**Forward Plan reference number:** FP/853/10/20

<b>Report title:</b> Land for development in Colchester	
<b>Report to:</b> Cabinet	
<b>Report author:</b> Paul Crick, Director Performance, Investment and Delivery	
<b>Date:</b> 15 December 2020	<b>For:</b> Decision
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<b>County Divisions affected:</b> Drury	

### **Confidential Appendix**

This report has a confidential appendix which is not for publication as it includes exempt information falling within paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972, as amended.

## **1. Purpose of Report**

- 1.1 To ask the Cabinet to agree that the next phase of work should be undertaken to develop Essex County Hospital, Colchester (the site) for the development of 120 homes.

## **2. Recommendations**

- 2.1 To agree to undertake a procurement process and to enter into a design and build contract for the first of the three construction phases set out in paragraph 3.4 with the award of contract to be delegated to the Director of Performance, Investment and Delivery.
- 2.2 To agree to undertake a procurement process for a demolition contractor via the Mitie Facilities Management contract with the award of contract to be delegated to the Head of Essex Housing.
- 2.3 Note that it is proposed to transfer the site to Essex Housing LLP and that this is the subject of a separate report to this meeting.

## **3. Summary of issue**

- 3.1 The former Essex County Hospital closed in 2018 and all services were relocated. It is to be purchased by ECC in December 2020 from East Suffolk and North Essex NHS Foundation Trust following the successful approval of the planning submission to Colchester Borough Council for 120 homes in July 2020. The purchase of the site by Essex County Council is authorised by a separate decision (FP/807/09/20).

- 3.2 The Site is in an ideal location for the development of a housing scheme, it is based in a residential area very close to the town centre. Estimates of capital receipts from sale of units (see Confidential Appendix) have been independently valued.
- 3.3 It is proposed that the Site will be developed in three stages of development as set out below. The first will be see the design and construction of 63 residential units, followed by a second stage of 38 units and a final phase of 19 units. Phasing the development will align the build rate with the anticipated sales rate which will help ensure strong market demand for the completed units. If sales rates are faster than anticipated, there will be scope to increase the rate of construction in future phases. Phasing will also enable portions of the site to be built out safely (using undeveloped parts of the site to store equipment and materials for example). Furthermore, the specification of each phase can be tweaked to ensure it remains in-line with market trends.
- 3.4 Since ECC agreed to purchase the Site (FP/006/11/17), ECC has exchanged contracts for the purchase of the site with the aim to complete the purchase of the site once planning conditions are discharged. Completion of the purchase is on track for December 2020 and demolition will start as soon as possible. ECC has undertaken extensive due diligence in respect of the Site, including archaeology, condition surveys on all buildings, demolition and asbestos surveys across the site, a detailed design/cost analysis of the new development, assessment of the local residential market in Colchester and ensuring alignment with all other planning related requirements. Design work undertaken and planning permission secured in July 2020 (increasing units achieved from 108 to 120 through improved scheme design). Extensive archaeological digs have been undertaken across the site in areas where excavation is possible prior to demolition. A final phase of archaeology will be undertaken once demolition is complete.
- 3.5 Market valuations and construction costs have been reviewed (by Savills, Fenn Wright, William H Brown and Potter Raper respectively) in October 2020 taking into account the impact of COVID-19 on the housing and construction markets.

### **Procurement**

- 3.6 The Site currently has a range of buildings with the historic buildings with architectural merit or specific historic value being retained and all other buildings being removed as they are not suitable for residential conversion. Approval is requested in this report to procure a demolition contractor via the Mitie Facilities Management contract. The procurement will be undertaken via a design and build contract under competitive tender, with a minimum quality requirement and evaluated based on 100% price. Whilst the primary evaluation criteria will be cost, consideration will also be given to the quality of design proposals, programme, health and safety plan, methodology of works and traffic management plan.
- 3.7 ECC will undertake the procurement for Phase One of the Site for the construction of circa 63 residential units. The procurement will be undertaken

via the open procedure, with bids evaluated on 70% price and 30% quality. Authority is requested to delegate authority to award the contract to the successful contractor to the Director of Performance, Investment and Delivery.

3.8 Subject to a separate decision by ECC, it is anticipated that the Site will transfer to Essex Housing Development LLP during Phase One. Once the Site has transferred over to the LLP, the remaining phases will be delivered by the LLP and the LLP will complete the construction of circa 38 residential units for Phase Two and circa 19 units for Phase Three.

3.9 The key business drivers for developing the Site are to:

- Help meet the local housing need through the development of housing;
- Support economic growth and regeneration through the utilisation of surplus brownfield land on an iconic gateway site in Colchester
- Reduce the need for development on greenbelt and greenfield land;
- Utilise public sector land to provide additional housing units; and
- Following completion of the scheme by the LLP, the completed units will either be sold or retained for rent which will be subject to a further decision.

#### 4. Options

4.1 Option 1 – Dispose of the land on the open market. This approach would result in a lost opportunity to develop the Site.

4.2 Option 2 – Continue to develop the Site out as specified in this report. This is the recommended option and is financially viable as set out in the confidential appendix.

4.3 If the proposals in this report are approved, the next steps/ key milestones are as outlined in the table below:

Milestone Description	Original Date	Forecast Date
Cabinet Approval	September 2019	December 2020
Commence Demolition	September 2019	December 2020
Anticipated transfer of the Site to Essex Housing Development LLP	N/A	February 2021
Commence Construction	September 2020	August 2021
Sales Complete	February 2022	October 2024

4.4 Changes to timescales have been made as a result of:

- Timescales for vacation of site and decommissioning were extended at the request of Colchester Hospital meaning that timescales for due diligence (i.e. intrusive surveys) to inform the planning application had to similarly be extended
- Delays to determination of planning application and negotiation of section 106 agreement as a result of Covid-19

- The build programme for the final scheme is now phased with timescales reflecting the anticipated sales rate for the completed units

## **5. Links to Essex Vision**

5.1 This report links to the following aims in the Essex Vision:

- Enjoy life into old age
- Strengthen communities through participation
- Develop our County sustainably
- Connect us to each other and the world

5.2 This links to the following strategic aims in the Organisational Plan:

- Enable inclusive economic growth
- Help people get the best start and age well
- Help create great places to grow up, live and work
- Transform the council to achieve more with less

## **6. Issues for consideration**

### **6.1 Financial implications:**

6.1.1 The existing scheme budget includes the funding required for 2020/21 and the 2021/22 requirement will be finalised through ECC's 2021/22 budget setting process. A summary of the capital and revenue budget profiling is contained in the confidential appendix to this document.

6.1.2 While the project has been de-risked through the due diligence work undertaken and obtaining planning permission some risks still exist as included within the confidential appendix.

### **6.2 Legal implications**

6.2.1 ECC has the power under the Local Authorities (Land) Act 1963 to develop land for the improvement or development of its area. The aim of this scheme relates principally to ensuring that housing is available to meet the needs of Essex residents.

6.2.2 The proposed building contract will be a JCT Design and Build Contract and will be procured in accordance with the Public Contracts Regulations 2015, and ECC's Procurement Policies. The contract will be structured so that it can be novated from ECC to Essex Housing Development LLP upon transfer of the Site under a separate decision.

## **7. Equality and Diversity implications**

7.1 The Public Sector Equality Duty applies to the Council when it makes decisions. The duty requires us to have regard to the need to:

- a) Eliminate unlawful discrimination, harassment and victimisation and other behaviour prohibited by the Act. In summary, the Act makes discrimination etc. on the grounds of a protected characteristic unlawful
- b) Advance equality of opportunity between people who share a protected characteristic and those who do not.
- c) Foster good relations between people who share a protected characteristic and those who do not including tackling prejudice and promoting understanding.

7.2 The protected characteristics are age, disability, gender reassignment, pregnancy and maternity, marriage and civil partnership, race, religion or belief, gender, and sexual orientation. The Act states that 'marriage and civil partnership' is not a relevant protected characteristic for (b) or (c) although it is relevant for (a).

7.3 An initial equality impact assessment was carried out on 5 December 2018. This EqIA indicates that the proposals in this report will not have a disproportionately adverse impact on any people with a particular characteristic. There is no reason to believe that the position has changed since then

## **8. List of appendices**

8.1 Confidential Appendix

8.2 Equality Impact Assessment

## **9. List of Background papers**

None