

## **DEVELOPMENT PROGRAMME**

### **DELIVERY STRATEGY REPORT - EXECUTIVE SUMMARY**

Faithful +Gould has been appointed to assist the Council in progressing its JV Propco initiative (part of the development delivery programme) and this paper provides a summary and “way finding” guide to the Savills report dated March 2019 entitled Delivery Strategy Report.

The report contains a large amount of very informative detail on all matters associated with a development programme however, from this detail it is important to extract a series of recommendations to inform any decision the Council may take. This provides a clear audit trail for future reference.

The report, in summary, provides a guide through:

- 1. The potentially available Council development portfolio (Chapter 2)**
- 2. The development considerations the Council need to address (Chapter 3) in terms of strategic decisions such as roles, responsibilities, rewards etc.**
- 3. Delivery strategies (Chapter 4). How these strategic decisions can be achieved. This considers straightforward land sales, development only arrangements usually for single sites through a development agreement, joint ventures between the Council and the private sector and direct development.**
- 4. Implementation of the selected strategy (Chapter 5). This is a wide-ranging chapter covering procurement, timetable and process, governance, finance and resources.**
- 5. Conclusion**

The conclusions drawn at the end of these chapters are, in summary:

- 1. Chapter 2** - the sites have been allocated into 3 categories; short, medium and long term. An important consideration, although not covered in the report, is that all effort must be made to avoid leaving all long term challenging sites to later phases of development (regardless of the delivery route chosen) where payback periods are elongated and considerable early investment is required. There is also a danger that profits from earlier, less complicated sites will be recognised but not held in reserve to offset future challenges.
- 2. Chapter 3** – the roles played by the Council will cover, to a greater or lesser extent depending on the delivery route chosen the following;
  - Land assembly and promotion
  - Assembly of statutory and legal consents eg. planning, S106 agreements, rights of way etc.
  - Developer/funder/asset manager of civic facilities

Other potential roles may include;

- Developer/funder/asset manager of residential
- Developer/funder/asset manager of commercial facilities eg retail units

In considering the roles the Council wish to undertake, the following need to be considered and ranked accordingly:

- Financial return drivers
  - The wider returns sought
  - The acceptable level of risk appetite
  - Funding capacity
  - In-house capacity, resources and expertise
3. **Chapter 4** – the chapter looks at the suitability of four options against the Council’s known objectives;
- straightforward land sales
  - development only arrangements usually for single sites through a development agreement
  - joint ventures between the Council and the private sector
  - direct development

The JV approach is the identified option to meet known objectives and capacity. Examples of this approach include Hertfordshire County Council, Surrey County Council, London Borough of Havering and Slough Borough Council. The selection of this option is most suited to a multi site approach driven by the cost for both parties of establishing the JV and the levels of return that the private sector would be looking to achieve.

4. **Chapter 5** - Based upon a JV Partnership approach for a multi site offering (assuming the recommendations as mapped out are accepted), the following procurement options are considered:
- Land deal (in effected badged as a land transaction only)
  - Concession works notice
  - Work contract notice (OJEU)
  - Framework selection

The advantages of both a concession and work contract notice are discussed – from our experience the use of concession notices for this type of opportunity are limited, more often used for running facilities or services. The relative timescales for a concession and contract notice are circa 7-9 months versus 10 - 12 months respectively, however the additional time in dialogue with a partner can assist in gaining a better understanding of their approach. The additional time spent at this stage is relatively insignificant in terms of the overall length of the relationship.

Chapter 5 covers finance, governance and resources all related directly to the Council.

The Council will need to identify a sum for the procurement and appointment process. This is currently estimated to be circa £700k.

In respect of longer term financing, the Council has a land portfolio that it can invest into the venture. If that land is of sufficient value (and once matched by cash from a joint venture partner) to capitalise the vehicle and provide enough equity in order to secure third-party debt, the call on County Council cash or borrowing may be limited. However, all of the working capital requirements (whatever the source of funding) will ultimately need to be underwritten equally by both partners so the level of financial investment and liability will need to be clearly understood from the outset and the Council will need to make provision for this.

The Council will need to dedicate in working with its consultants resources to the following:

- Site due diligence – site, title and planning investigations
- Property advice to form the portfolio
- Procurement support to follow a robust procedure in selecting a compatible partner
- Legal, financial, tax and property advice to procure and set up the venture
- Internal staffing to support the consultant team and manage internal governance

Longer term governance arrangements will also need to be agreed. Key considerations will be the composition of the Council's representation on the Board of the venture, and any formal decision making arrangements that might need to be in place to cover matters that would be reserved for the Council to decide outside the working of the entity.

5. **Conclusion** - The report includes a recommendation to procure a commercial enterprise that is skilled and well-resourced in property development to proceed with a JV partnership in a multiple site agreement with a preference expressed for the work contract notice (OJEU). In addition, the report highlights the importance, above all, of using the correct approach to achieve the aspirations of the Council thus highlighting the importance of identifying those strategic objectives as identify in Chapter 2 together with clear governance, decision making and preparation.

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