

TO: THE EXECUTIVE
12TH JUNE 2018

PROCUREMENT OF JOINT VENTURE PARTNER FOR DEVELOPMENT OF COUNCIL OWNED SITES

1 PURPOSE OF REPORT

- 1.1 The purpose of this report is to agree the initial stages of investigating a joint venture partnership approach to developing Council owned sites.

2 RECOMMENDATIONS

That the Executive:

- 2.1 **Agrees to explore a possible Joint Venture approach to develop Council owned sites in the Borough, noting the key workstreams and timelines set out in Annexe A;**
- 2.2. **Subject to the above decision, agrees to proceed to procure legal and property advice based on the draft scope attached as Annexe B to help develop, in the first instance, a business case that will determine whether a JV approach is the best option to secure the Council's objectives;**

3 REASONS FOR RECOMMENDATIONS

- 3.1 The recommendations will enable the benefits of a potential procurement of a Joint Venture partner(s) to develop Council owned sites to be fully evaluated.

4. SUPPORTING INFORMATION

- 4.1. The Council owns a number of sites in Bracknell town centre and in the wider Borough that are suitable for development / redevelopment in the near future or potentially at some point in the longer-term. To date, the Council's approach has been to sell any surplus land and buildings to developers, thereby benefiting financially from a one-off capital receipt that reflects the land value. This approach is helpful in reducing the need to borrow to fund capital expenditure. However, it inevitably means that the Council is less able to influence the nature and scale of development (except through its Planning powers) and all development profit (typically 20% for residential sites) accrues to the private developer.
- 4.2. Recognising that local authorities have a role to play as "place shapers" and the attractiveness of receiving revenue income (either one-off or on-going) in addition to capital receipts, many councils have in recent times chosen to participate in local development by establishing Joint Venture arrangements with a suitable private developer (e.g. Bournemouth, Slough, Swindon). This allows them to benefit from the commercial development skills that authorities typically lack while having a strong say over the nature, scale and timing of development as a Joint Venture partner. The advantages for private developers are that they can gain access to a pipeline of development opportunities through a single bidding process and that they can work closely with local decision makers, thereby reducing an element of development risk.

- 4.3. As part of considering possible future options for the Market Street former depot site, officers have identified the potential of establishing a Joint Venture vehicle for that site and others with potential synergies. Advice has been sought from an experienced individual who was heavily involved in establishing and operating Bournemouth Council's JV and has since advised other authorities including Slough and Poole on such vehicles. Meetings have also been held with potential advisors, recognising the need for strong commercial and legal support to firstly evaluate the potential of a Joint Venture approach and subsequently procure the most appropriate partner(s) within a robust legal structure.
- 4.4. Based on this initial advice, an outline project plan has been developed that sets out the key work to be undertaken and significant milestones in the possible establishment of a Joint Venture partnership. This is attached as Annexe A to the report and indicates, based on starting the procurement of advisors in mid June 2018, that it is likely to take until November 2019 to complete the process and agree final Joint Venture agreements.
- 4.5. There are 3 key decision points for the Executive in this approach. The first (which is covered by this report) is to procure specialist commercial and legal advisors. The second (anticipated December 2018) is to consider the business case for a Joint Venture approach relative to other identified options and, if this is positive, agree to procure a Joint Venture partner(s). Should it proceed to this point, the third would be to agree the successful partner(s).
- 4.6. Annex B to this report contains an outline scope for the appointment of legal and commercial advisors. It is proposed to approach three possible partnerships which have experience of working together, rather than procure each advisor separately. This approach will best ensure consistency of advice from a proven partnership, which will minimise and scope for conflict in their advice around detailed points. Recognising that a key decision for the Council will be whether to proceed beyond the initial Business Case stage, the advice is broken down into two stages, with the option for the engagement to cease at the end of stage 1. However, since the full scope will have been procured, there will be no need to go through a procurement process for advisors again, should the decision be to proceed to procure a JV partner.
- 4.7. Based on examples from elsewhere, it is envisaged that the Stage 1 advice may cost in the region of £30k - £50k. The total cost of establishing a Joint Venture with the associated agreements in place is likely to be around £200k - £300k, although we will aim to be very specific with the market in terms of the Council's offer and to use industry standard agreements as far as possible in order to minimise costs. Both will help reduce the scope and length of the competitive dialogue process. Clearly, the potential Stage 2 costs will need to be viewed in the context of the likely financial benefits highlighted in the Business Case.
- 4.8. The Council has the option of including in its prospectus clearly identified Council sites as well as sites owned by the Council but not yet ready for development. It will also be possible to seek a partner that is capable of undertaking wider public works on land in the Borough currently owned by public sector organisations, with their agreement. The latter model is that employed in Slough and would offer the Council and its partners maximum flexibility.
- 4.9. The Council owned sites that have been identified by officers as most likely development opportunities are;

- Market street
 - Coopers Hill
 - Jubilee Gardens / Stanley walk
- 4.10. The outline feasibility study undertaken by Social Finance indicated the three sites could accommodate circa 330 residential units, while the Draft Local plan suggests they could potentially deliver over 400 units. It is likely that all sites would potentially be mixed use developments and a Joint Venture partnership approach would help assess the optimum approach, within outline proposals identified by the Council.
- 4.11. While the Council would not wish to focus solely on residential development, it is understood that residential sites capable of delivering a minimum of 500 units would be most attractive to a market including developers who operate at high volumes, thus being able to achieve lower build costs and thus better returns. Thus it is likely to be necessary to identify other opportunities at the outset with a commitment to bring these forward in the future.
- 4.12. Other sites, where development may be expected to occur at some point in the relatively near future include;
- Easthampstead House / Library / Magistrates Court
 - Commercial Centre
- 4.13. Prospectuses in other areas have taken the approach of offering specific opportunities and also identified possible additional sites that could potentially be made available, subject to various conditions being overcome. While this does not offer certainty to prospective bidders, the inclusion of a range of potential additional sites will help make the initial prospectus more attractive.

5 **ADVICE RECEIVED FROM STATUTORY AND OTHER OFFICERS**

Borough Solicitor

5.1 Vires

The proposal envisages the creation of a LABV (Local Asset Backed Vehicle) by way of a joint venture (JV) combining private sector finance and skills with public sector real estate as a means of driving development and investment. The Council has the power to set up a JV under Section 1 of the Localism Act (General Power of Competence).

Procurement

The report envisages a competitive dialogue stage 2 procurement process. This is usually the preferred route where innovation and solutions from the market place are required. However if the Council's needs and objectives from the project are well understood from the outset, a competitive process with negotiation may be a more appropriate route.

JV Model

There are a several models available but the most common form of JV is a company where each party invests, ie takes shares in the company (limited by shares), or where each party guarantees the company's liabilities up to a fixed amount (limited by guarantee).

Governance

Appropriate arrangements will be needed if a JV is set up to provide a balance between control for the Council and freedom to operate for the Company. Documents such as shareholder agreements and memoranda of understanding which set out expectations and responsibilities of both parties to JV will help to achieve this.

Borough Treasurer

- 5.2 The potential financial implications of the recommendations in the report are up to £300,000, although the initial scope would be expected to cost a maximum of £50,000. At this point, it is considered appropriate to consider the costs as capital, given that they can be expected to lead to significant investment in Council assets. Should this fail to occur, the costs would need to be treated as revenue and charged against the Town Centre Reserve, the balance of which is expected to be at around £750,000 when the 2017/18 accounts are submitted to the Governance and Audit Committee for approval.

Equalities Impact Assessment

- 5.3 There will be no impact on specific groups arising from this report.

Strategic Risk Management Issues

- 5.4 Commercial investment, by its nature, cannot be risk free. The proposed approach is intended to strike a balance between minimising the Council's risk exposure while allowing it to generate significant additional income to help bridge the gap in the budget resulting from reduced government funding.

6 CONSULTATION

Principal Groups Consulted

- 6.1 None

Method of Consultation

- 6.2 Not applicable

Representations Received

- 6.3 None

Background Papers

Annex A – Investment Tracker

Contacts for further information

Timothy Wheadon, Chief Executive – 01344 355609
Timothy.wheadon@bracknell-forest.gov.uk

Stuart McKellar, Borough Treasurer, Corporate Services – 01344 352180
Stuart.mckellar@bracknell-forest.gov.uk

Steven Caplan, Chief Officer: Property, Corporate Services – 01344 352474
Steven.caplan@bracknell-forest.gov.uk

.