

Executive Committee

1 November 2016

PSP West Dorset LLP

For Recommendation

Cllr J Russell. Environmental Protection & Assets Portfolio Holder
Senior Leadership Team Contact: Strategic Director Martin Hamilton

1. Purpose of Report

- 1.0 The Council has plans to review its asset holdings following the updating of the Asset Management Plan, and to assist in the delivery of additional income streams, and capital receipts. To achieve this, as well as other economic development opportunities and jobs growth schemes, the Council needs to use our asset resources to best advantage.
- 1.1 Given limited resources and in order to do this the Council needs to establish a Limited Liability Partnership with PSP Facilitating Ltd (PSPF) to:
 - provide the resources to enable the council to deliver its new Asset Management Plan
 - contribute to the Council's Budget and Financial Strategy by maximising the capital value, revenue savings and revenue receipts from the council's property assets
 - provide a vehicle to help deliver corporate targets for housing and economic growth.

2. Officer Recommendations

- 2.1 That the Council establishes a Limited Liability Partnership (LLP) with PSP Facilitating Ltd on terms to be agreed by the Strategic Directors (Martin Hamilton and Jason Vaughan).
- 2.2 That the Executive Committee appoints 3 Portfolio Holders to the LLP Members' Board.
- 2.3 That the Council commissions the HFI (at £7,000 +VAT) to support Council ambitions for an increase in volume and pace of housing delivery, to explore creative ways to employ the Council's position as housing and planning authority to show leadership in the housing market.

3. Reasons for Recommendation

- 3.1 The establishment of this partnership will provide the additional resources to help deliver the new Asset Management Plan (AMP).
- 3.2 The LLP will provide up-front private sector investment funds over and above those directly available to the council and will generate additional capital value and

revenue income from the Council's property assets. It will assist the Council to fund revenue gaps as well as providing capital for projects and investment opportunities.

- 3.3 The LLP will be able to combine the commercial skills and expertise of the private sector with the community awareness and local knowledge of the Council and can become a vehicle to help deliver the Council's economic development and housing objectives.
- 3.4 In the years leading up to the recession, UK housebuilding failed to deliver the homes needed for our country. Government has made the building of new homes a priority. The planning system has been extensively reformed, infrastructure guarantees have been devised to support housebuilding, financial support has been given to housebuilding and to housing providers. The roles and responsibilities of councils have been transformed.
- 3.5 The current rate of housing delivery has been assessed at just falling below 5 year land supply, which includes the number of units below the requirement to meet the Local Plan, market housing area and local need, and the targets for Affordable housing units. Objectives of accelerating housing delivery are to support land supply and the associated community benefits; the programme also includes development of affordable housing and the tenure mix with an aim of reducing the affordability gap and providing homes for specific groups (young, local, working age, vulnerable and elderly); and also where opportunities exist to improve income to the councils. The proposal to engage HFi is designed to help the council develop the necessary plans to accelerate housing delivery.

4. Background Information

- 4.1 There are 11 councils from across the country who have established PSP LLPs, including Dorset County Council, and along the south coast Southampton City Council and the Isle of Wight Council. A large number of other authorities are considering joining, particularly in light of decreasing Government funding support and a need to maximise asset financial returns.
- 4.2 Weymouth and Portland Borough Council agreed at the Management Committee in February 2016 to enter into partnership with PSP to allow their expertise and resources to be used for the Council. This arrangement and the revised delegated authority to the respective Directors was ratified at full Council. North Dorset District Council agreed at Cabinet in May 2016 to also enter into a partnership on a similar basis.
- 4.3 The 11 member councils have formed the Council Consortium Group (CCG) who meet at officer and Member level on a regular basis to share their experiences. The CCG launched a £500m "Relational Partnering" Fund in March 2015 to help councils to maximise the capital value and revenue income from their property assets.

5. Report

- 5.1 The councils who have already established PSP LLPs are using them to:

- Boost in-house capacity to speed up property reviews, allowing councils to benefit from early realisation of capital receipts, additional revenue income or expenditure savings
- Add value to surplus property before disposal through site assembly, initial infrastructure works or demolitions and obtaining planning permission for change of use, thus giving councils access to what would otherwise be developer's profit
- Develop affordable housing solutions
- Invest in town centre and economic growth initiatives
- Generate additional revenue and capital value from existing property investment portfolios
- Create or buy additional property investments with capital released from sales.

5.2 The establishment of a PSP LLP for West Dorset could provide a vehicle to:

- Release land for more homes and to grow the local economy
- Obtain planning permission for a change of use to residential or commercial before disposal to maximise the capital receipt to the council and ensure that the development is in line with the council's priorities
- Develop new commercial assets which in turn will generate additional business rates income.

5.3 Weymouth and Portland Borough Council have already commenced with the PSP partners in reviewing sites and have found this beneficial to date.

5.4 For the future partnership selected groups or individual assets would be put forward for consideration by LLP. Each potential property project or initiative is developed and tested through a four stage process which builds up a business case. Before implementation, the proposal is subject to an independent validation by CIPFA and will only proceed if it can be demonstrated that it is better than any alternative option available to the Council.

5.5 There is still the ability at all times for the Council to have a choice of what it wants to do. Even if a proposal was put forward the Council can decide if it wishes to proceed or not. The Council is under no obligation to use the LLP for all projects and there is no previous commitment required from the Council for each project.

5.6 The private sector partner provides all of the up-front funding to develop the projects, removing any financial risk to the Council. The Council will be guaranteed the existing 'subject to planning' value of any surplus property and any uplift above this will be shared between the partners, giving the Council access to what would otherwise be developer profit. The Council's share of the uplift will be at least 50% and could be more depending on the nature of the project.

5.7 The Elphicke-House Review was established in the context of new roles and opportunities for councils to change from being statutory providers to being Housing Delivery Enablers. To look at what councils do, and what councils can do. To see if more could be done by councils to boost housebuilding and to create strong and sustainable communities, to support growth and prosperity. Councils could achieve much more by taking a more central role in providing new homes. A Review recommended a national Housing & Finance Institute (HFI) be established to promote and support the sharing of ideas and drive innovation in housing finance.

Governance

- 5.7 The LLP will be a partnership of equals between the Council and PSP and all decision making will be by consensus. The LLP will be a 10 year partnership which could be terminated early by giving 12 months' notice. In this event both parties would be still obliged to fulfil their obligations for any committed scheme or project.
- 5.8 The governance structure consists of two Boards:
- (i) The Member Board will have 3 elected Members from the Council and 3 representatives of PSP and its funders.
 - (ii) The Operations Board will consist of officers from the Council and PSP who will develop the property opportunities.

Reports will be presented to the respective boards as projects proceed through the business case review process and will only be implemented if both parties agree.

- 5.9 Two legal documents will be prepared to establish the LLP, a Members Agreement and a Procedures Agreement. These will set out the terms of the partnership and it is proposed that the Strategic Directors (Martin Hamilton and Jason Vaughan) be authorised to agree terms subject to all of the necessary due diligence checks. A further report will be brought to Executive Committee 15 December 2016, which will describe a proposed Development Programme and recommend its implementation. The Programme specification will include Dorset councils working together, partnerships, funding, skills and resources, income generation, seed funding, council assets and governance.

6. Financial Implications

- 6.1 All of the costs associated with the establishment of the LLP will be funded by the private sector partner.
- 6.2 All initial costs associated with the preparation of property projects and initiatives will be funded by the private sector partner. The resource capacity and skills provided by the private sector partner will ensure that any additional capital receipts and revenue income from the Council's property assets will be received quicker than could be achieved with the limited resources in house.
- 6.3 The LLP will provide the Council with additional options to maximise capital receipts and generate additional revenue income from the council's property portfolios. The Council commissions the HFI at £7,000 +VAT to support Council.

Other Considerations:

7. Legal/Statutory Power

- 7.1 The Localism Act 2011 and the Council's ability to be a member of an LLP is based on the power of local authorities to invest, either for any purpose relevant to their functions under any enactment or for the purpose of the prudent management of its financial affairs (section 12 of the Local Government Act 2003).

- 7.2 Councils have authority under section 111(1) of the Local Government Act 1972, section 123(1) of the Local Government Act 1972 (power to dispose of land), as well as section 3 of the Local Government Act 1999 (best value duty to make continuous improvement).

8. Human Resources (including Health and Safety)

- 8.1 The additional capacity and skills that the private sector partner will bring will supplement the limited resources of the in-house team. With current job grades for qualified staff being below the market rate there is no ability to recruit, and this is a far more cost effective solution than paying for interim agency staff.

9. Risk Management

- 9.1 The costs and risks of establishing the partnership and the facilitation of property projects will be met by the private sector partner.

10. Reputation, including Communications and Consultation (Including comments from unions on decisions affecting staffing arrangements)

- 10.1 The current reputational risk to the Council in not delivering projects, new and increased income generation, capital receipts and expenditure reduction is perceived high at present. This partnership is believed likely to be able to reduce those risks.
- 10.2 There are no staffing implications arising from the establishment of the LLP. The private sector partner will provide additional capacity and expertise to assist the in-house team.
- 10.3 Consultation and communications issues can be addressed on a project by project basis. Officers and Members of the Council will be able to flag up any local community issues as projects are developed.

11. Equalities

- 11.1 N/A

12. Crime and Disorder

- 12.1 N/A

13. Environmental Considerations

- 13.1 Schemes brought forward within the LLP will be subject to Local Plan policies, and will also assist in enhancing the environment by bringing back into use currently under utilised land.

14. Economic Impact Assessment

- 14.1 Is the proposal likely to lead to an increase in the level of skills needed in the local workforce? Yes as developments proceed
- 14.2 Is the proposal likely to lead to growth in local employment? Yes, potentially if development is undertaken by local contractors.
- 14.3 Is the proposal likely to lead to growth in the number of businesses? No
- 14.4 If the overall economic implications are seen as negative what mitigating factors have been considered? N/A

15. Corporate Plan (links to corporate aims and priorities)

- 15.1 Facilitating inward investment to create more better paid jobs.
- 15.2 Supporting businesses through the recession and recovery. The LLP will contribute to increased economic activity by releasing land for development that might otherwise remain vacant.

16. Appendices

- 16.1 None

17. Background Documents (including relevant policy documents)

- 17.1 Corporate Plan.

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