

PUBLIC SECTOR_{Plc}

The Council Consortium Group Commission

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Driving income generation and socio-economic benefit through the use of property The Relational Partnering Commission

On the 9th November 2017, the Local Government Council Consortium Group (LG-CCG) - the network of local authorities using the PSP Relational Partnering Model to deliver property outcomes, met at the House of Lords for its fifth annual meeting.

The LG-CCG was formed in 2013 and now comprises a network of over 20 councils who are using this unique partnering model to deliver better property outcomes.

The model represents a fourth and additional option for local government when delivering its land and property projects and is additional to an authority's current options which are to: do nothing; to undertake projects themselves or to procure through a tendering process.

The Relational Partnering model is based upon the establishment of a 'relationship first' in advance of a contractual commitment.

The model is being used to deliver a broad range of projects with the objective of: increasing capital receipts; reducing revenue costs; increasing revenue income; delivering regeneration; and achieving a broad range of socio-economic benefits.

The LG-CCG was initially established to

share information between those parties using the Relational Partnering model, providing increased benefit for new councils joining the network and to:

- promote a better understanding and awareness of Relational Partnering and to outline its use as an additional property tool.
- drive project outcomes quicker through the use of a Member Reporting system to track and measure project outcomes.
- have a regional focus, establishing new councils so that they are focused in the vicinity of existing LLPs to provide regional benefits.

In November 2016, the LG-CCG agreed to undertake a Commission of enquiry, to explore the benefits of using a Relational Partnering approach across local government and a broader public sector environment.

The progress of the Commission was reported to the LG-CCG meeting on November 9th along with: a draft framework document; a summary of the themes and initial recommendations; an outline implementation plan and a draft socio economic paper produced by Regeneris.

The Regeneris report looked at the socio-economic benefits of both the completed and

ongoing projects across the 21 councils using the model and also extrapolated the potential socio-economic benefits achievable if the model was used across a broader local authority environment.

All attendees were sent the documentation in advance and feedback and comments will be captured in the minutes and pack to be issued post meeting (minutes; powerpoint; framework document and socio-economic report).

The final Commission report will be based upon that presented at the LG-CCG and will be finalised and released on the 23rd January 2018.

A summary of the Commission outcomes will be published in a fourth MJ supplement in February 2018.

The following pages summarises the presentations and discussions that took place at the fifth LG-CCG annual meeting.

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The Local Government Council Consortium Group (LG-CCG)

The 2017 LG-CCG annual meeting had 24 councils represented (20 member and 4 guest councils) of different politics and sizes (county, city, metropolitan and district councils) with 70 people in attendance

Meeting Overview

The 5th annual LG-CCG meeting event was held at the House of Lords, with over 70 people in attendance, including a mix of councils using the model, guest councils and attendees from a diverse range of institutions including CIPFA and One Public Estate. The three themes of the day included:

A summary of the Commission including its delivery framework and key activities; the emerging themes and recommendations, the draft

Commission framework document, the socio-economic benefits being derived from the current partnerships and preliminary implementation plan.

A summary of the projects being delivered throughout the year by the various PSP Partnerships across the UK.

Emerging new initiatives and the future direction of the Relational Partnering model.

The Commission

Overview

Following the fourth CCG meeting held on 3rd November 2016, the principle of a Commission was established.

On 23rd January 2017, the Commission was formally launched.

The principal objective of the Commission was to consider and propose the use of Relational Partnering as an additional property option for local authorities when meeting their best value requirements.

The Commission would involve the engagement of senior professionals from both the public and private sector together with academics to feed into and comment on the taking of evidence on the use of the model.

The Commission comprised panels of experts discussing key themes as well as undertaking discussions with leading individuals across public and private sectors.

The work of the Commission was overseen and scrutinised by a peer scrutiny panel. This was chaired by Lord Graham Tope with support from Lord Peter Bowness and Lord Peter Smith.

The Commission was established to consider:

The extent to which local authorities are getting best value from the property assets.

The capacity of local authorities to undertake property-related projects.

The extent to which local authorities are undertaking option appraisals when considering their property solutions in order to meet Best Value requirements.

How local authorities should communicate achievements in property initiatives

Understanding the potential obstacles to the introduction of a Relational Partnering approach.

The conditions under which it is appropriate to use a Relational Partnering option.

To explore how Relational Partnering can

support a council's budget planning process.

The understand the extent to which Relational Partnering can deliver greater socio-economic benefits

The communication structures required to explore the uniqueness of Relational Partnering.

To recognise the importance of 21 councils now being aligned in the use of one delivery model with a standard suite of documentation and to explore the role of LG-CCG in the future.

To recognise the importance of being able to share information, made possible through the use of a common approach.

Recognising the Relational Partnering approach and its opportunity to provide local government with additional skills and resources

Demonstrating the benefits of using an in-sourcing as opposed to outsourcing approach

The Process

The Commission process involved the organising and taking of evidence, so that a summary of findings and recommendations could be drawn.

The process involved the establishment of a peer scrutiny panel to oversee the delivery of the Commission, the development of a detailed delivery strategy and an appropriate terms of reference.

The activities included a debate day where a number of contributors from across property and the public and private sector debated the approach. This event was held on 20th June 2017.

There were a number of experts and professionals that came together. These were grouped into a series of professional panels with a lead individual being selected for each discipline.

These included: Legal, Financial, Political, Local Government, Wider Public Sector, Commercial and Research.

The debate day was followed by a 'leads'

event, where the leads of the various panels discussed further the various issues raised in their debates.

Following the leads event, additional consultation took place along with the development of a Commission framework document to help inform and feedback to the LG-CCG at its meeting on the 9th November 2017.

The documents submitted to the LG-CCG included:

- A framework document reviewing the high-level themes and suggested recommendations
- The suggested next steps
- A draft implementation plan

Who contributed?

- There were a diverse range of contributors in undertaking the Commission. These included:
- Three peers on a scrutiny panel, representing all of the major political parties.
- Members and officers of a diverse range of councils including those using the model.
- Legal representatives including solicitors, a QCs and council legal heads and leads.
- Financial monitoring officers, attendees from CIPFA and other accountants.
- Local government officers and private sector representatives from the property sector.
- Attendees from the wider public sector representing bodies such as housing, education the NHS and blue light services.

QC Opinion

During the taking of evidence a QC opinion was taken from Mr Rhodri Williams QC and consideration was given to the existing best value regime and how local authorities were responding to it and the impact of the introduction of a new partnering option may have.

It was noted that the model included a unique four stage gateway process which was statutorily compliant and was designed to deliver local authorities with better property outcomes in order for it to be used.

Socio-economic benefits

A socio-economic assessment was undertaken in 2015 for one of the PSP partnerships. This report generated significant interest across the authorities using the model and provided some very interesting information on the socio-economic benefits being realised from completed and ongoing projects.

As part of the taking of evidence, Regeneris

were engaged to review the social economic benefits and value being realised across the 21 partnership

The outcomes were significant along with its potential extrapolated benefit across local government. Its findings will be included in the final Commission report.

The Commission report will be published fully on the 23 January 2018

Project Highlights

Overview

A selection of projects being taken forward from across the partnership network and through the use of the Relational Partnering model were presented.

The projects comprised a wide range of sectors and uses including projects that were increasing capital, reducing revenue and providing new revenue income generating opportunities, in addition to broader socio-economic, regeneration and service delivery benefits.

The projects demonstrated an increasing scale and level of complexity as authorities made use of the Relational Partnering approach to deliver more ambitious projects.

The motivation for this, in many instances was to supplement additional capability and capacity internally.

Whilst many councils have capable in-house

teams, these have frequently been reduced in size over the last few years and there is not sufficient capacity to drive forward all of the opportunities that might exist. Further, the ability to bring forward increasing numbers and scale of projects without recourse to internal resources or funding is highly attractive.

The projects shown demonstrated a broad geographical spread and ranged from ambitious long-term masterplan projects to highly transactional projects where the need for delivery is short-term and urgent.

In all instances, a focus on commerciality, delivery and viability underpins the projects, where it is recognised that the broader socio-economic and regeneration benefits that are sought will not arise if any given scheme cannot actually be delivered.

Masterplanning

Cheshire West and Chester and Southampton

Masterplanning projects were shown in Northwich and Winsford with Cheshire West and Chester Council and at Above Bar Street and Drivers Wharf in Southampton. These schemes frequently involve land assembly, strategic infrastructure investment and close engagement with occupier markets.

Indeed, the scheme in Winsford, creating a new industrial estate on a 40 acre site, was kick-started as a result of the identification of an immediate requirement for land to help a local business continue its expansion. This will drive job creation and provide the enabling infrastructure necessary to unlock further parcels of land on the site.

Projects in Planning

Warwick

Further through the planning process, the meeting was shown images of a new office for Warwick District Council.

This scheme is currently in for planning and forms part of a broader project including 45 flats and a new 650 space multi-storey car park on a town centre site in Leamington Spa and the release of the council's current site for residential development.

The driver for the project was to generate recurring revenue savings and increased operational efficiencies, whilst the objective was to achieve this on a capital neutral basis.

The redevelopment of an unloved part

of Leamington will also secure significant regeneration benefits.

Completed Projects

Bolton and Dudley

A recently completed project in Bolton, Bolton Central, provided evidence of how creative thinking delivered a project that bucked the market and would, otherwise, have been left as a vacant site.

Whilst the project formed part of a broader programme aimed at generating both revenue savings and additional revenue income for Bolton Council, the ability to make things happen was its greatest achievement.

The building is now fully let to Bolton University for a record rent for the town, but it also forms a key part in a much broader regeneration programme running from the station to the heart of the town centre.

It has changed perceptions of the area and seen planning applications come forward for other buildings in the area, bringing a new confidence and dynamic to the town.

Existing assets were also presented. In Dudley, a poor performing asset, Lye Enterprise Centre, was transformed from a liability to a highly successful and fully occupied employment site. By applying commercial principles to its operation and investing in the estate, it became a very attractive asset generating a robust net revenue stream.

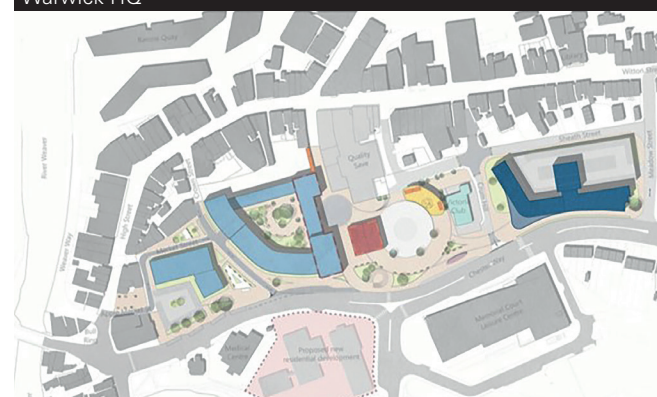
It was sold for four times more than its value at the outset of the project demonstrating significant value added over a four year period.



Bolton Interchange



Warwick HQ



Masterplanning, Cheshire West & Chester



Hinguar School, Southend



Above Barr, Southampton



Lye Business Centre, Dudley



New Initiatives

Overview

The meeting was presented with a number of new initiatives that were considered to offer substantial potential opportunity or benefits to council partners. These were

- A new housing delivery model
- A strategy for driving value from investment portfolios
- The establishment of a PSP Investment Fund
- Opportunities in operational properties

New Housing Delivery Model
Housing is increasingly important to both central government and local authorities. The ability to secure delivery of new housing, capturing

new homes bonus and council tax receipts and the scope to generate a revenue stream from housing led to the creation of a new housing delivery model.

PSP has established a framework for the delivery of low energy houses, built off-site and available to rent. A legal structure and delivery network has been created that can see houses built quickly and available to rent with the council benefitting from a secure long-term revenue stream. This will be offered to all partners and several pilot schemes are currently being brought forward.

Investment Portfolios

Many authorities own portfolios of income producing assets. Frequently though, there is little rationale behind what is owned and, because of the way they are accounted for, their actual financial performance is not clear. Frequently, the true cost of running these portfolios can range from as much as 40p to 75p for every £1 of income collected.

PSP has refined a strategy that seeks to allow individual partnerships to take on the strategic asset management of such portfolios. The objectives sought from such a move would be to create a portfolio that is;

- Cheaper to run,
- Generates increased revenue, and,
- Has a greater capital value.

This has the potential to bring significant benefit to councils with assets of this nature.

for individual projects to enable them to be delivered and retained for income, or, to purchase completed investment assets, both commercial and residential from individual partnerships.

The object would be to generate robust long-term income from a high quality investment portfolio with assets located across the country.

PSP's partners would have the opportunity to invest in the fund rather than in individual assets giving increased liquidity and interest in a diverse and geographically spread portfolio.

Operational Property

To date, PSP's focus has tended to be on non-operational property. However, as a further tool to drive value for its partnerships, PSP will be exploring opportunities for the delivery of net zero energy school buildings, which are manufactured off-site and offer significant running cost and maintenance savings over traditional school buildings.

It is also considering partnering with care providers to offer new adult care facilities.

Both of these can be achieved in ways that bring substantial financial benefits for local authorities.

PSP Investment Fund

A range of various investment opportunities and PSP announced that it was exploring the establishment of an investment fund. The purpose of the fund would be two-fold; to provide funding

CCG Councils Representatives

Event hosted: Lord Graham Tope CBE Event Chaired: Richard Smith

Bolton Council

Cllr Linda Thomas
Cllr David Greenhalgh
Stephen Young

Cannock Chase Council

Cllr John Kraujalis
Nirmal Samrai

Cheshire West & Chester Council

Cllr Lynn Riley
Graham Pink
Mark Wynn

Dorset Council

Mark Osborne

Dudley Council

Cllr Ian Kettle
Fay Hayward

Gateshead Council

Cllr Catherine Donovan
Martin Harrison

Isle of Wight Council

Cllr Julie Jones-Evans

Lichfield Council

Cllr Christopher Spruce
Cllr Andrew Smith
Cllr Ian Pritchard
Neil Turner

Scarborough Council

Cllr Godfrey Allanson

South Staffordshire Council

Cllr Bob McCardle
Grant Mitchell

Southampton Council

Cllr Jacqui Rayment

Southend-on-Sea Council

Cllr Andrew Moring
Cllr Ann Holland
Joe Chesterton

Swale Council

Cllr Mike Cosgrove
Cllr Duncan Dewar-Whalley
Cllr Andrew Bowles
Mark Radford
Nick Vickers

Warwick Council

Cllr Andrew Mobbs

Warrington Council

Stewart Brown

Weymouth & Portland, North Dorset and West Dorset Council

Jon Morgan

Wigan Council

Penny McGinty

Wyre Forest Council

Mike Parker

Invited Councils

Gloucestershire Council

Cllr Jeremy Hilton

Knowsley Council

John Flaherty
James Duncan

Rushcliffe Council

Katherine Marriott
Peter Linfield

Wolverhampton Council

Tim Pritchard

Other Guest

PSP

Adam Cunnington
Mark Hammersley
Akash Patel
Paul Brown
David Samson
David Currie
Mark Poppy
Dave Ayre
Helen Ratcliffe
Jonathan Edwards

Monica Rabadia
Katie Hoggarth
Karen Wright

The Winston Group

Melvin Robinson
Steven Sharpe

Cabot Square Capital Ltd

Keith Maddin
Tom Onslow

Regeneris

Luke Bonnici

Public Intelligence

Mike Bennett

CIPFA

David Bentley
Tim Reade

LGA - One Public Estate

Joe Garrod

Anthony Collins Solicitors

Mark Cook

Hanover

Adam Wilkie

Net Zero Buildings

Neil Smith
Neil Gething

Guest

Professor Adrian Bonner

How to Find Out More

If you want to find out more about PSP please contact

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