Warwick District Council

Delivery Options

DRAFT –

TO BE REVIEWED

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The recommended options are varied in their nature with a number of different end users / stakeholders

The development appraisals have shown some options to be un-feasible regardless of the delivery model

Warwick DC owned Asset

Existing Assets	Retain & Optimise Operational Income	Retain and Modify	Redevelop/redevelop with 3rd party	Dispose
Riverside House	No	office accommodation, student accommodation reviewed - not feasible	Yes – office accommodation, residential	Yes - residential
Royal Pump Rooms	Yes – commercial income	Not feasible	No	No
Spencer Yard	No	Yes	Yes	Not feasible
Bath Place (car park)	No	Not feasible	Not feasible	No
Royal Spa Centre	No	No	Theatre development with hotel – Not feasible	Yes – theatre development with residential
Rosefield Street (car park)	No	No	No	No
Town Hall	Yes – commercial income	Yes – one stop shop with commercial income	No	No
10 Hamilton Terrace	Yes – increase rental income (new tenant)	No	No	residential use, office accommodation, hold to sell
26 Hamilton Terrace	Yes – increase rental income (new tenant)	No	No	residential use, office accommodation, hold to sell
Packington Place (car park)	No	No	Yes – residential development	Yes – residential development
Station Approach	No	No	Yes – car park and office accommodation	Yes – car park and office accommodation
Court Street (car park)	No	No	Yes – office accommodation, retail development, residential	Yes – office accommodation, retail development, residential
Bedford Street (car park)	No	No	Yes – office accommodation, residential	Yes – office accommodation, residential

Service re-provision

Existing service Re-provision*	Option 1	Option 2	Option3	Option4	Option 5
HQ office accommodation	Develop on Current site	In town on exg WDC site	Co-location (shared service dependant)	Regen opportunity (non WDC site)	Out of town (leasehold or freehold)
One stop shop	In town retail unit (freehold)	In town retail unit (lease)	Combined with office HQ in town	Existing asset (eg town hall)	
Theatre (dependant on spa centre)	Re-provide on current site	Re-provide in a different location	No theatre asset		

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Key

- Development appraisal complete – option not feasible. STOP
- Development appraisal complete – option feasible. GO to Benefits Case

Steering Group 3 | 4

- New build office accommodation for WDC and potential partners
- Redevelopment of sites for residential or other commercial uses
- Refurbishment of historic buildings to provide public services
- Re provision of new theatre with supporting enabling development

Local authority

Student accommodation

Public access

Theatre companies & audience

Public sector partners

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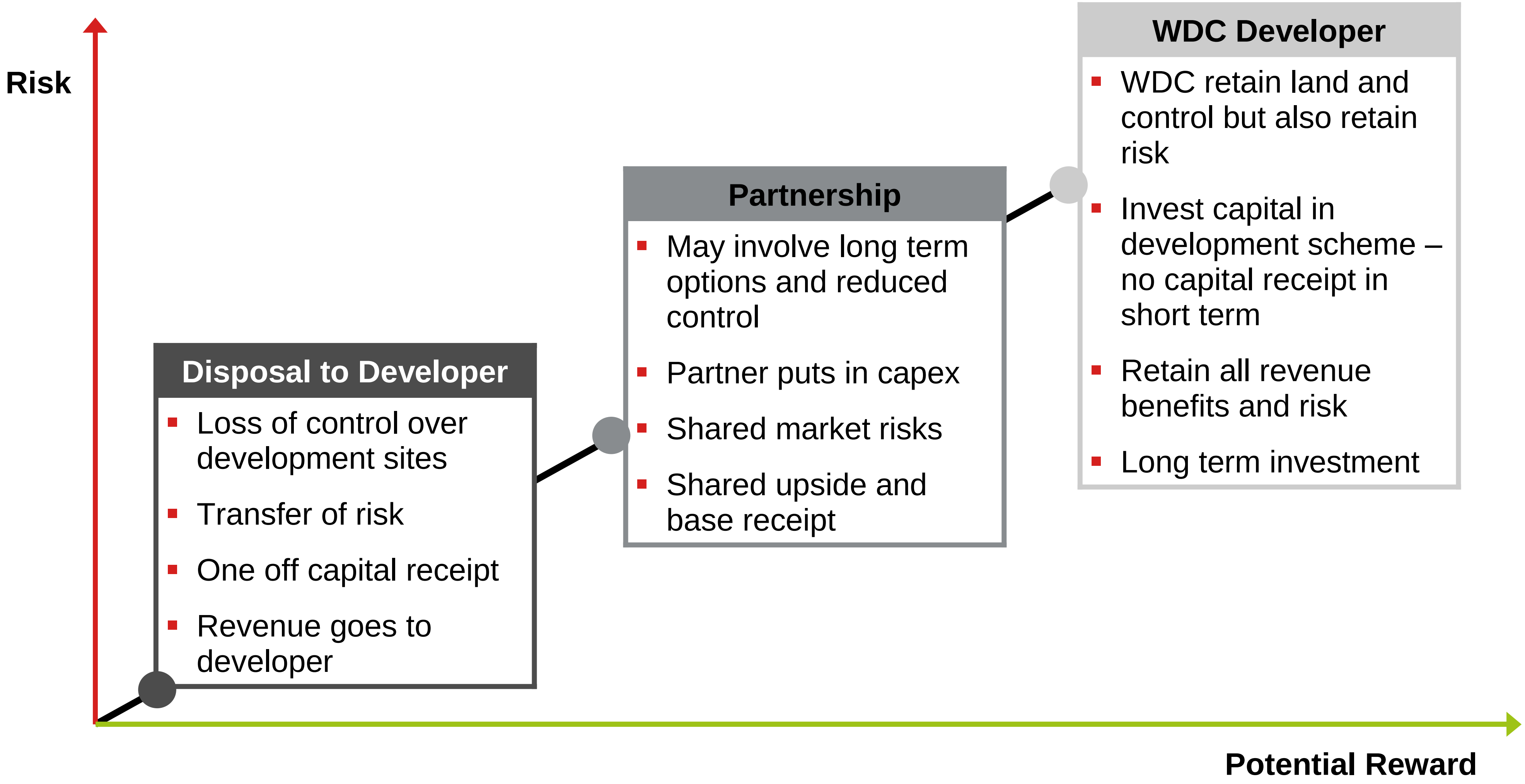
It is clear that in terms of delivery a 'one size fits all' approach will not deliver the best outcomes for WDC

We identified that there is a range of Delivery Models that each have different financial and risk profiles



Further understanding of WDC's approach to risk, funding, capacity and capability to deliver will be required to fully align each option with the optimum delivery model

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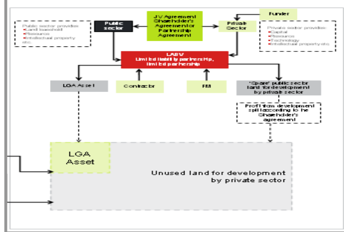
We have reviewed a number of specific vehicles in existence to understand their relevance and suitability for WDC

LABV



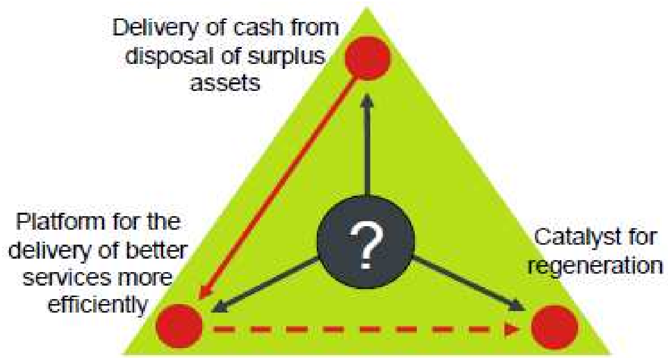
Self Develop

Disposal to developer

Partnership model

Each model has benefits and limitations that can be assessed in light of WDC key drivers

Outcome



We would recommend that once the asset strategy is signed off a facilitated workshop is held to support WDC in aligning and selecting the right delivery model

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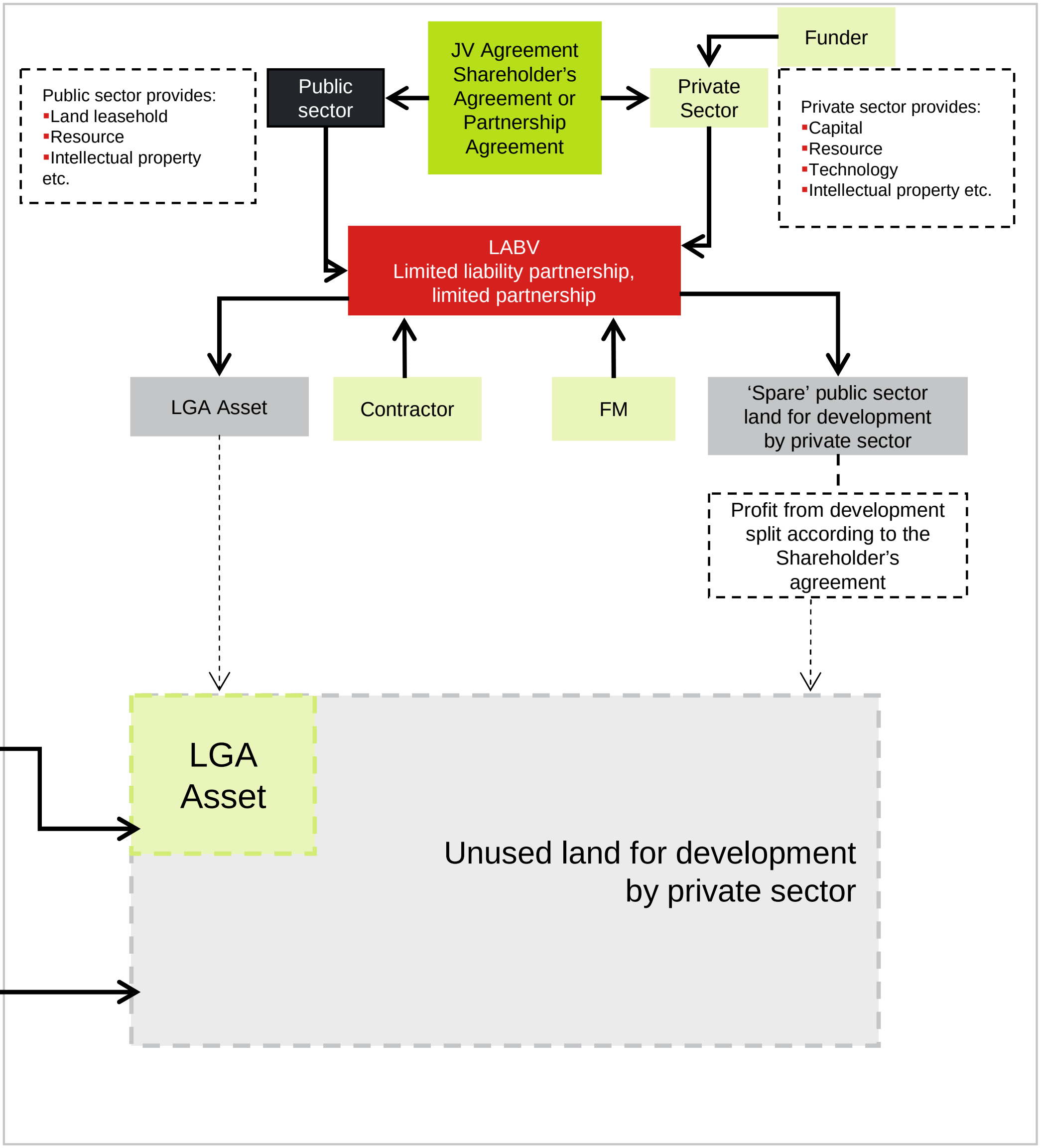
Local Asset Backed Vehicle (LABV)

What is it?

- Joint Venture Agreement between public and private sector
- Public sector contributes assets for development
- Private sector contributes finance and delivery capability

How does it work?

- The main contribution from the public sector to the LABV is assets (operational/surplus/development), the public sector will retain the freehold of this land
- The main contribution from the private sector will be capital
- The LABV uses the assets to leverage debt to finance the remainder of the works
- In return for land the public sector require the LABV to design, finance and deliver their required asset
- The public sector body will allow the private sector to develop any unused land
- Any profit generated from the development of the unused land will be split between the partners according to the Partnership/Shareholder's Agreement



Local Asset Backed Vehicle (LABV)

Where else is it being used?

- Bournemouth Borough Council:
  - Set-up a £350m LABV with Morgan Sindall Investments Ltd. bringing investment to the town centre over the next 20 years
  - It will deliver a number projects including a new dance centre, town centre playground and events space
- Croydon Council:
  - Entered into a £450m LABV with John Laing
- A number of Regional Development Agencies have already set up LABVs including: One North East, East Midlands Development Agency and Advantage West Midlands

Relevance to WDC

- Size of asset portfolio may not be sufficient to attract enough market interest to achieve best deal
- Procurement costs are high and may not provide value for money across a smaller asset base
- Loss of control of any site may impact on future service delivery or regeneration opportunity
- Opportunity to pass all sites into one controlling vehicle that provides capacity and funding could be attractive and provide access to private sector expertise in delivery

Benefits to WDC

Risk	Risk is shared amongst the public and private sectors
Control	Local Government retain an element of control by being part of LABV
Flexibility	Changes to projects can be made through simple agreement of partners
Performance	Incentivisation for public and private sectors as returns subject to performance of the partnership
Finance	Private sector partner provides finance through debt facility
Efficiency	Makes use of all assets

Limitations for WDC

Asset ownership	Requires ownership of a number of assets
Control	Assets are 'committed' to LABV as funding is secured on the assets – this removes a level of flexibility

Self Development

What is it?

- The local authority as land owner carries out the development in house
- Finance will need to be obtained
- Professional support will be required

How does it work?

- As land owner the local authority decides to develop and take the risk on income for the proposed scheme
- Using in house or external professional skills a ‘development scheme’ is designed and planning permission obtained
- The local authority places a building contract for the works and pays for the construction work
- Internal or external professional support is utilised for the marketing / letting / sales
- Any profit generated from the development is retained by the local authority
- On going income can be created utilising long lease hold rather than outright sale and ensure the asset remains in the ownership of the LA
- Some or all elements of the scheme may be for occupation by the council which could ultimately be converted into a investment opportunity in return for payment of rent

Self Development

Where else is it being used?

- Herefordshire Council :
  - Are delivering their accommodation programme using ‘external team expertise’ and funding through prudential borrowing and surplus asset disposal
- Staffordshire County Council:
  - Have delivered their new corporate offices which includes an element of retail space. They have self funded and will realise the income from the retail units plus capital receipt from surplus asset disposal
- Melton Borough Council:
  - Delivered their new offices as employer

Relevance to WDC

- Would support the delivery of the new office requirement and should be able to utilise prudential borrowing (spend to save) and asset disposal (RSH) to fund the new facility
- Opportunity to incorporate ‘other’ uses in development that could generate income for WDC
- One stop shop will be straightforward building / alteration project

Benefits to WDC

Timing	Timing of the development can be to suit WDC
Control	WDC retain control of design, development and ultimately the asset
Flexibility	Flexible to changing requirements subject to WDC governance procedures
Performance	Performance measured by usual time, cost, quality KPI’s - Key Performance Indicators
Finance	WDC finances through prudential borrowing, capital reserves and surplus asset disposal
Efficiency	Relatively efficient as it avoids profit but may not be delivered as cost effectively as private sector model

Limitations for WDC

Risk	Risk is taken on design development, building contract (time, cost, quality), letting and sales income (where applicable)
Efficiency	As end user and developer ‘scope creep’ has potential to take place resulting in a more expensive facility

Disposal

What is it?

- The local authority disposes of an asset to the private sector
- Planning permission and added value may be achieved subject to funding / resource being available

How does it work?

- The local authority decides an asset is surplus to requirements
- The asset is advertised and sold through auction or sealed bid process being sold for the highest offer received
- Should funding or capacity within the authority be available then planning permission could be achieved for the site which should ‘add value’ to the asset as a key risk to its development has been removed

Disposal

Where else is it being used?

- Birmingham City Council :
  - Has on ongoing programme of asset disposal to reduce revenue costs and raise capital
- Coventry City Council:
  - Has an on going programme of disposal of surplus and underperforming assets

Relevance to WDC

- Provides a relatively quick and low cost route to capital and reduction in revenue budgets
- Sites are sold to ‘the highest offer’ demonstrating best value to the authority
- If WDC has access to funding then sites could be taken through the planning process to develop a scheme with ‘added value’ thus attracting a higher sale figure
- There are a number of sites where a straightforward residential or other use planning permission could be obtained and then the site sold into the market

Benefits to WDC

Risk	Low risk option
Finance	Value may be added by de-risking project through obtaining a planning consent - although finance will be required to fund process
Efficiency	Efficient methodology

Limitations for WDC

Control	Control of asset and future use is lost
Flexibility	Once sold all flexibility is gone
Performance	Value achieved is driven by market at the time and subject to ‘on the day’ offers

Partnership Model (PSP)

What is it?

- An LLP with 50/50 ownership between public and private sector
- Access to significant funding stream looking to invest in public sector assets
- A model that allows value to be created and shared by the public sector – by being able to accept the offer made by the private sector

How does it work?

- The LLP is formed – without the need for procurement - with governance structures and processes in place that satisfy LA rules and regulations
- Projects are brought to the LLP for consideration and subject to agreement proceed through the process, funded by the private sector
- Value is created and the assets disposed / developed in line with the LA's vision and the uplift is shared
- The model can address investment, regeneration, efficiency, disposal, accommodation and all other property based challenges faced by the LA
- Costs are borne by the private sector and are deductable from development value

Partnership Model (PSP)

Where else is it being used?

- Dudley Metropolitan Borough Council:
  - Supporting the accommodation programme
- Dorset County Council
  - Supporting revenue reduction through asset disposal
- Southend-on-Sea BC:
  - Delivering town centre regeneration projects

Relevance to WDC

- Provides access to funding to add value to sites
- Is flexible enough to tackle all project types
- Provides capacity and capability to WDC
- Low cost and speed of procurement
- Can look across a portfolio of sites and treat as a 'basket' allowing cross funding between projects
- Has the ability to bring in adjacent land, stakeholders and other public sector partners

Benefits to WDC

Risk	Low risk to WDC
Finance	Private sector financed
Efficiency	Very efficient establishment and project development process inherent in methodology
Control	Full control with public sector as 50/50 structure and board composition means all decisions need WDC approval
Efficiency	Efficient process from procurement to project delivery
Performance	Process has in-built performance measures and they can be tailored to suit specific WDC requirements

Limitations for WDC

Cost	Cost of finance may be slightly higher than prudential borrowing rates