



COUNCILLOR PHIL DAVIES

CABINET

27TH FEBRUARY 2017

Delivering Wirral's Growth – Options Appraisal

Councillor Phil Davies, Leader of Wirral Council said:

“Driving economic growth, helping to create good, high paying jobs, is incredibly important. This importance is only heightened by the simple fact that – by 2020 – Wirral needs to be completely self-sufficient. The only money we will have to invest in this borough will be the money we can raise ourselves.

Throughout Wirral, we have huge opportunities to transform our economy and this report is an important next step in putting us in the best position to capitalise on them. We are continuing our work on developing a new approach to drive economic growth and will do further work in the coming months to turn these plans into a reality.”

REPORT SUMMARY

Driving economic growth across the Borough is one of the three key priorities within the Wirral Plan: a 2020 Vision. Work to promote growth and to support communities to meet their potential is being taken forward by a range of partners and actions are set out within the Wirral Growth Plan. One of the key outcomes of this Plan is to attract significant amounts of investment into the Borough and a number of opportunities have been identified to support this activity. This includes creating appropriate delivery structures which can more easily work with and respond to the private sector.

In addition work has been taken forward through the Council's Transformation Programme to progress the actions arising from the Corporate Asset Strategy, including the need to ensure that the Council's asset portfolio maximises receipts from those assets held for investment purposes and meets its statutory obligations. In order to consider this fully the Transformation Board agreed that an options appraisal for establishing a property company should be progressed.

In December 2016 Wirral Cabinet agreed a report 'Delivering Wirral's Growth' which outlined proposals for creating a property company to drive forward investment, economic growth and secure increased income for the council in order to support services delivery,

and officers were instructed to present an options appraisal to Cabinet in February 2017. Bilfinger GVA (BGVA) and Bevan Brittan LLP have been commissioned by the Council to provide advice on the range of options available to the Council to achieve these objectives and to identify a preferred option. The full Strategic Options report is attached as Appendix 1.

In the context of the Council's objectives the appointed advisors have identified and reviewed four options and they have proposed that the setting up of a joint venture company provides the best strategic fit for the Council moving forward. However, this would not preclude the Council from partnering with other organisations, such as a Pension Fund, on specific developments either through or outside of the proposed JV, nor preclude a Pension Fund from expressing an interest in the JV arrangement. This report therefore recommends that further work is carried out to develop a Full Business Case for progressing the option of a joint venture company and that this is reported back to Cabinet in May.

A joint venture company can take a number of forms and the exact structure of the company should be considered as part of the development of the Full Business Case. It is proposed that the process of developing the detail around the preferred option should be undertaken through a series of workshops with both officers and Members.

Initially and subject to the approval of this report the Council will start the procurement process through the publication of a Prior Information Notice (PIN), followed by a period of soft market testing with potential partners. The soft market testing process will allow the Council to ensure that when the Full Business Case proposition is presented to Cabinet in May 2017 it provides a market facing proposition that is credible and likely to support interest in the Investment/Development market.

The formal procurement process leading to the Council establishing a joint venture company to deliver its ambitions will only be progressed following approval by Cabinet in May of the Full Business Case.

The actions will support the Wirral Plan pledges as set out in the Wirral Growth Plan, including:

- Increase inward investment
- Greater job opportunities in Wirral
- Thriving Small Businesses

This matter affects all Wards within the Borough. It is not a key decision.

RECOMMENDATIONS

Cabinet are requested to:

1. Note the objectives identified (para 3.6 in this report refers) as delivering the Council's ambitions against which the options have been evaluated.
2. Confirm the preferred option as identified through the evaluation process (Section 4: Preferred Option within Appendix 1 Strategic Option Report refers).
3. Subject to the approval of the preferred option authorise the Executive Director for Strategy to commence the initial stage of work to enable a Full Business Case to be developed supporting the preferred option for Cabinet endorsement in May 2017.
4. Authorise the Executive Director for Strategy to approve the publication of a Prior Information Notice (PIN) which is then followed by a period of soft market testing to inform the production of the Full Business Case.
5. Authorise the Assistant Director, Law and Governance, to negotiate, execute and complete the relevant documents necessary to give effect to the above recommendations.

SUPPORTING INFORMATION

1.0 REASONS FOR RECOMMENDATIONS

- 1.1 Driving economic growth, ensuring Wirral is best placed to generate investment and making best use of our asset portfolio to generate income to support service delivery are key priorities for the council. The recommendations will ensure that the council completes a full and robust business case before final decisions are taken.

2.0 OTHER OPTIONS CONSIDERED

- 2.1 Appendix 1, the Strategic Options Report sets out a full appraisal of the four options under consideration. The appointed advisors have set out that these options are most relevant in the context of the council's strategic objectives for the company and that they are the most common routes that many local authorities consider when seeking to establish property development companies. These are summarised in the table below:

Option 1 - Do Nothing (Business as Usual)	The Council takes no action and current delivery arrangements continue. Individual development projects will be brought forward and contractual arrangements entered into with developers on an ad-hoc basis.
Option 2 - Arm's length wholly owned company	The Council establishes wholly owned company with clear governance and structure. The company would report directly to the Council's Cabinet.
Option 3 - Public/Public corporate body	The Council and other public sector partners seek to establish a Mayoral Development Corporation or a company with clear governance and structure, for example through the Combined Authority or with the Pension Fund. The MDC/company would report directly to the Council's Cabinet.
Option 4 - Joint venture company	The Council will seek to create a company not governed by public law through the procurement of an investment/development partner following an OJEU procurement route.

3.0 BACKGROUND INFORMATION

- 3.1 The Wirral Plan sets out a vision for Wirral; a set of 20 Pledges which will be achieved over the next five years to improve the lives of Wirral residents. In order to achieve these ambitions, the Council needs to modernise and work in a completely different way, and ensure it has the right culture, abilities, skills and approach to deliver the 2020 Vision for Wirral. As part of this modernisation the Council is implementing a new operating model which includes three functions: Strategic Hub, Business Management, and Service Delivery.
- 3.2 In support of the new operating model, and in line with the Asset Strategy, the council has embarked on a challenging Asset Transformation Programme and the Strategic Outline Case (SOC) for this programme was endorsed by the Council in March 2016. This outlined that there were a number of key areas of focus that

needed to be taken forward and that this included a strategic review of the operational property (in conjunction with the wider transitional programme) to challenge the footprint of the Council and to review its options for meeting its statutory obligations including an options appraisal for establishing a property development joint venture vehicle.

- 3.3 In addition the new operating model has enabled further work to take place in driving inward investment activity through the Wirral Growth Plan. This includes the on-going development of a strategic regeneration framework to provide a clear, shared and delivery-focused approach to guiding regeneration and co-ordinating private and public sector investment, with delivery structures that can respond to and work easily with the private sector. The Wirral regeneration framework will guide and proactively drive activity and investment with a particular focus on the areas of significant growth potential identified and agreed in the Growth Plan.
- 3.4 The Wirral Growth Plan recognises that assets and property play a key role in supporting economic growth through there being fit for purpose facilities and buildings in order to enable companies to grow and to attract inward investment. In addition the Asset Strategy recognises that the Council's asset portfolio should maximise potential receipts from those assets held for investment purposes.
- 3.5 In December 2016 Wirral Cabinet agreed a report 'Delivering Wirral's Growth' which outlined proposals for creating a property company to drive forward investment, regeneration and secure increased income for the council, and officers were instructed to present an options appraisal to Cabinet in February 2017 (Cabinet 8.12.16 Min 66 refers). This linking of strategic approaches within the context of the Wirral Plan's pledges gives rise to a range of objectives that can be promoted and delivered through a property development company.
- 3.6 The strategic objectives to be delivered through a property company are as follows:
- Secure local economic growth.
 - Make a positive contribution towards delivery of the Asset Transformation Programme.
 - Contribute to ensuring that businesses encouraged to invest in the Wirral have access to property that meets their needs and delivers business rate growth.
 - Better utilise the Council's assets to drive socio economic change to secure a sustainable future for the benefit of the community.
 - Maximise the Council's financial return from the disposal of its land and property assets, with a preference to generate secure revenue income streams.
 - Positively contribute towards the Councils Medium/Long Term Financial Strategy.
 - Improve the environment.
 - Ensure the Council is not exposed to undue financial risk.
 - Comply with its obligation to obtain best consideration reasonably obtainable on a disposal of its land.
 - To ensure and encourage additional private sector investment, capacity and capability is enabled to support the broad regeneration objectives of the Council.
- 3.7 These objectives have been used to measure and test each of the four delivery options identified in Section 2 above. The full options appraisal of each of these

options is set out in Appendix 1 Strategic Options Report. Section 3: Delivery Options Appraisal outlines each option in detail and provides a view of the options covering: legal powers, governance, structure, risk, control and funding & finance implications.

- 3.8 Section 4 of the Appendix outlines that the setting up of a joint venture company provides the best strategic fit for the council moving forward. It is recognised, however, that a joint venture company can take a number of forms and the exact structure of the company together with a number of other issues will require further deliberation through the development of a full business case for this option. It is further proposed that the process of developing the detail around the preferred option should be undertaken through a series of workshops with both officers and Members.
- 3.9 Section 4 of the Appendix sets out that in addition to the direct benefits that will arise from a joint venture arrangement, the Council will also expect to benefit from other financial benefits such as:
- Additional business rates
 - Additional council tax
 - Section 106 contributions
 - New Homes bonus
- 3.10 To enable further refinement of the preferred option as it is developed through to full business case the advisors propose that a soft market testing exercise is undertaken. This would enable market evidence to be gained as to the robustness and credibility of the commercial proposition that the council wishes to pursue and to informally test the way that this is brought to the market. In order to progress this it is proposed that the council start the procurement process through the publication of a Prior Information Notice (PIN).
- 3.11 The feedback from the process will be used to inform the preferred structure of the proposition within the full business case which will ensure that when this is presented to Cabinet in May 2017 it provides a market facing proposition that is credible and likely to support interest in the Investment/Development market.
- 3.12 The formal OJEU procurement process leading to the Council establishing a joint venture company to deliver its ambitions will only be progressed following approval by Cabinet in May of the Full Business Case. If this is approved then the council will embark on a procurement process to select a partner to join with the council in establishing a joint venture company to secure the council's ambitions. This is set out in Appendix 1 Section 5 which provides an overview of the key stages but this would be further developed through the Full Business Case.

4.0 FINANCIAL IMPLICATIONS

- 4.1 Funding for the development of the full business case has already been identified from the Transformation Programme's budget. The report setting out the full business case to Cabinet in May 2017 will set out the financial implications of setting up the joint delivery vehicle.

5.0 LEGAL IMPLICATIONS

- 5.1 The Council has a duty to efficiently manage its assets and has wide powers to acquire, hold, appropriate and dispose of land under Sections 120-123 of the Local Government Act 1972, Part 2 of the Housing Act 1985, the Local Authorities (Land) Act 1963 and the Town and Country Planning Act 1990 (amongst other powers). Section 1 of the Local Government Act 2011 also contains the Council's general power of competence to do anything that an individual may do providing this is not constrained by legislation. These powers are also supported by Section 111 Local Government Act 1972, the power to do anything that is calculated to facilitate or is conducive or incidental to the exercise of any of the council's functions. This power is often used to support the form of any delivery vehicle, or in the alternative, Section 1 Localism Act would also do that.

6.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS

- 6.1 The development of the Full Business Case will be undertaken by the council's appointed advisors together with officers from the Strategic Hub's Place and Investment team and from Business Services, including the Transformation team.

7.0 RELEVANT RISKS

- 7.1 The risks associated with each of the four options are identified in Appendix 1 Section 3 as part of the Key Characteristics assessment carried out for each one.
- 7.2 The risks associated with the preferred option for a Joint Venture property company are set out in more detail in Appendix 1 Section 4 under the Risks section.
- 7.3 All risks associated with developing this programme will be identified and managed as part of the business case.

8.0 ENGAGEMENT/CONSULTATION

- 8.1 This report is consistent with the principles of Wirral's Growth Plan which provides the framework for securing investment and growth within the Borough and for delivering the Wirral Vision pledges. This has been developed through extensive consultation with partners and has also been informed by consultation which has taken place with a number of private sector partners and local businesses through Invest Wirral's Business Forum.
- 8.2 Further consultation with the private sector will be taken forward through the soft market testing exercise proposed to be undertaken.

9.0 EQUALITY IMPLICATIONS

Equality implications will be considered as part of the full business case development process.

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APPENDICES: Appendix 1 Strategic Options Report

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Cabinet : Delivering Wirral's Growth	8 th December 2016