



Sweating Your Assets - Delivery Approaches

Introduction

- Heard multiple ways to make asset base more efficient / effective

NOW...

- What to do with surplus assets?
- How make them work harder?
- How can they further operational / strategic goals?
- What are the options?

AGENDA

- Examine options
- Explain how they work
- Provide Case Studies

What are you trying to achieve?

- Often asked provide a shiny product – WOC / LABV / Some other acronym!

BUT - Crucial to understand

- What are you trying to achieve?
- What is your time horizon?
- What level of financial return do you want AND CRUCIALLY
- What is your appetite for risk?

TYPICALLY

- Financial return – Revenue before Capital
- Regeneration
- Housing numbers / Affordable Housing
- Jobs



What's the balance???

Christmas Tree Effect!



Clarity of purpose

- Understand your asset base
- Clearly define your purpose / objectives
- Articulate it / challenge it / agree it
- Live by the objectives / values



No.	Objectives
1	To optimise opportunities from a portfolio of property assets that will generate new sustainable financial returns.
2	The use of the partnership vehicle must deliver a greater total financial return to the Council than the return which could be achieved through its current approach
3	To drive the pace of development
4	To develop a quality brand for the developments, aimed at safeguarding the long term financial prosperity and reputation of the partnership
5	To build a long-term relationship with a partner with aligned objectives / visions and to utilise their expertise

The Key Questions

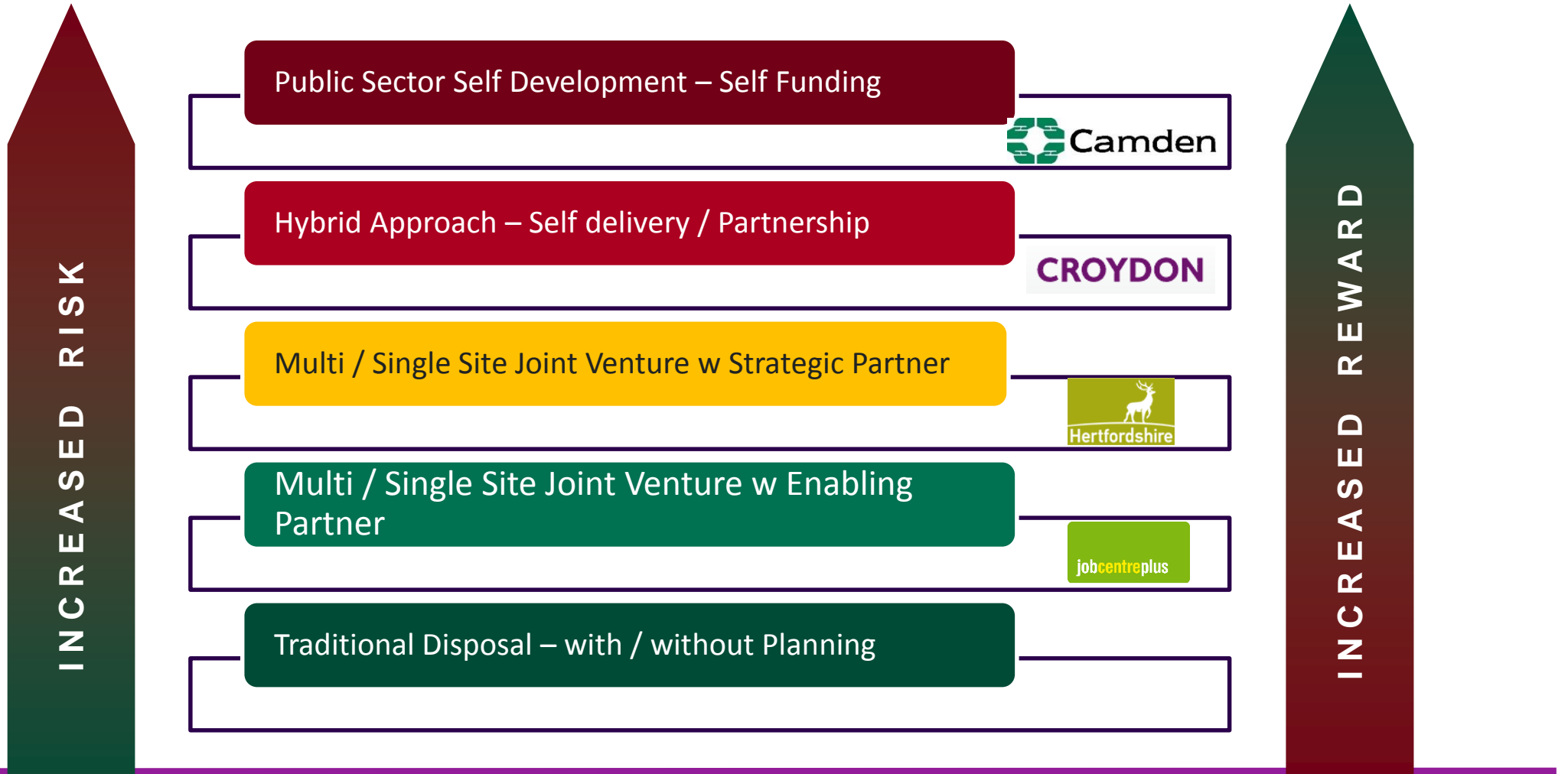


Potential Roles



- In driving forward projects / schemes on surplus assets - Series of roles
 - Funding
 - Development
 - Construction
 - Sales / Rentals
 - Operation
 - Management
- What do you want to do?
- What will you have to do to realise reward?
- How do you manage the risks?

Spectrum of Delivery Options



Appetite for Risk

- Your appetite for risk will define the approach you take
- Commensurate reward is key
- Key Risks
 - Development Costs
 - Sales and Disposal Risk
 - Delivery Risk
 - Funding related risks
 - Your Capacity / Skills
 - Do Nothing

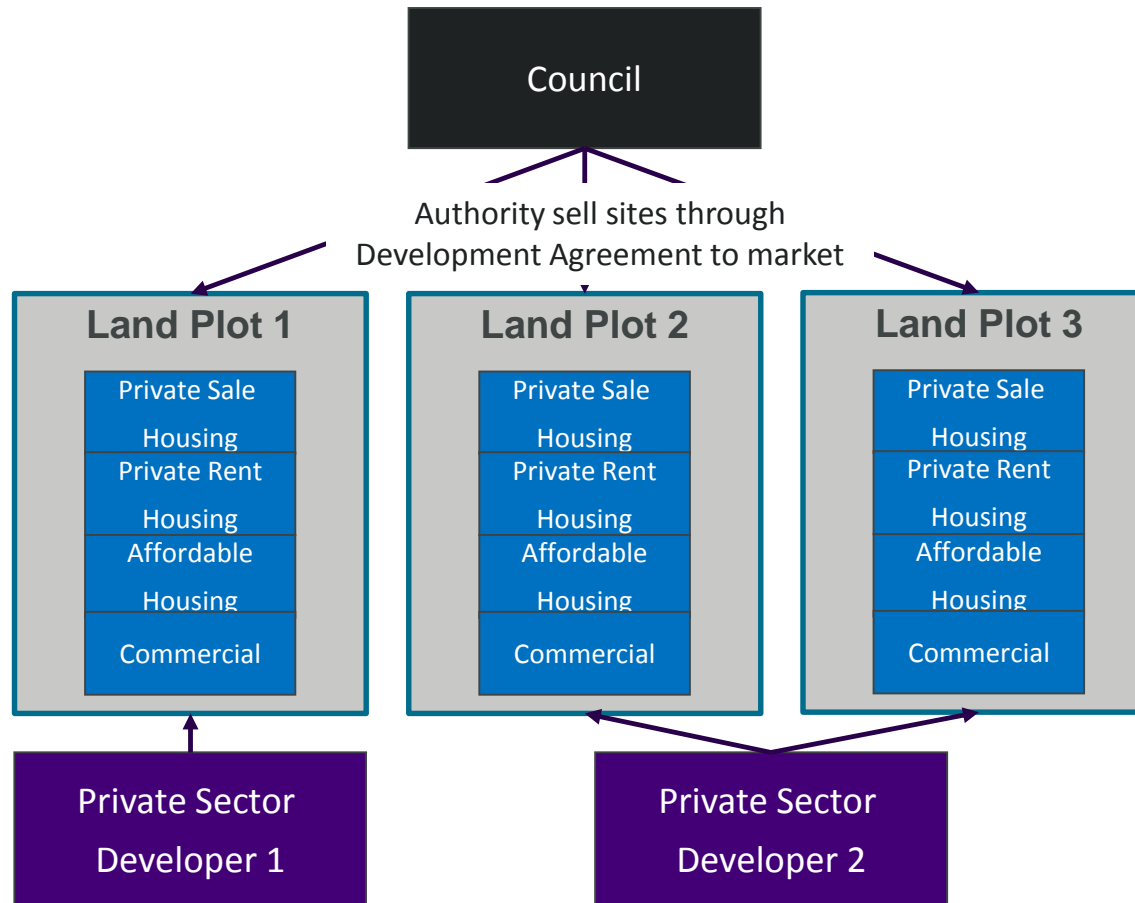
Delivery Solutions



Delivery Approaches

- **Option 1: Disposal** – Baseline (in current condition / stage)
- **Options 2: Joint Venture Enabling Partner** – All sites enabled by a joint venture partnership and serviced plots sold to the market
- **Option 3: Joint Venture Development/Investment Partner** – All sites developed by a joint venture partnership with a single development partner
- **Option 4: Hybrid Approach** – Simple sites are self developed by the Authority, with more complex sites are developed by a single joint venture development partner
- **Option 5: Self Development** – All sites are developed by the Council

Option 1: Site Disposal



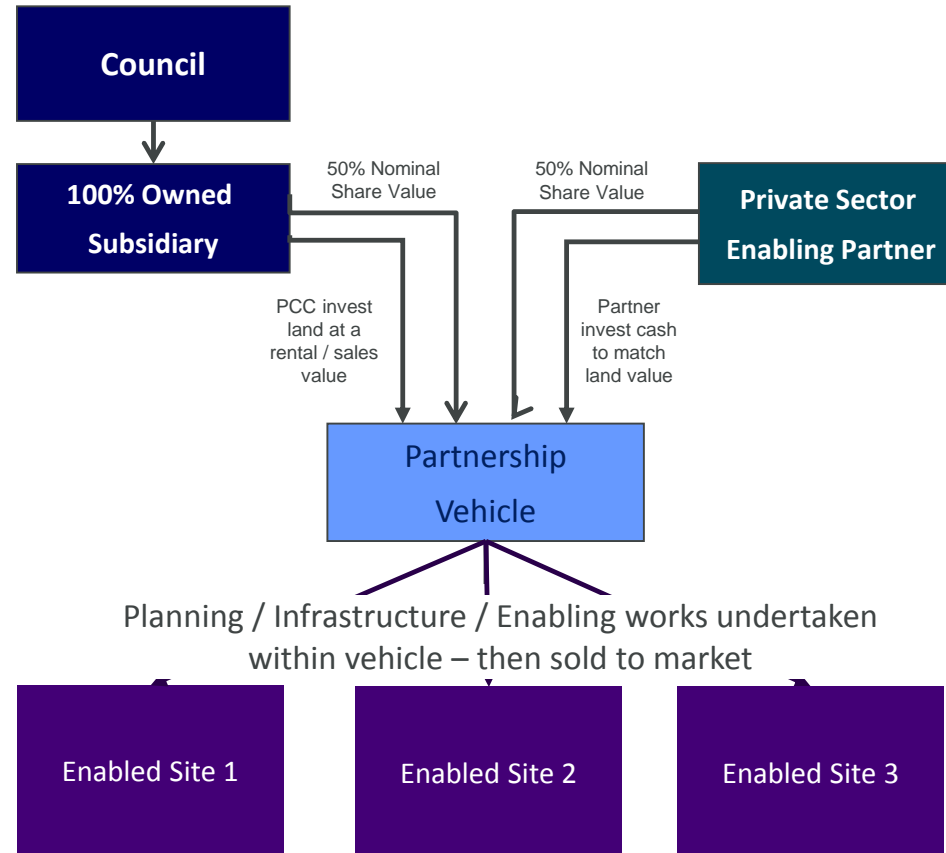
Advantages

- Low risk early cap rec
- Limits risk
- Simple

Disadvantages

- No control over development
- No share in dev profit
- Is this attractive?
- Land banking risk

Option 2: Joint Venture Enabling Partner



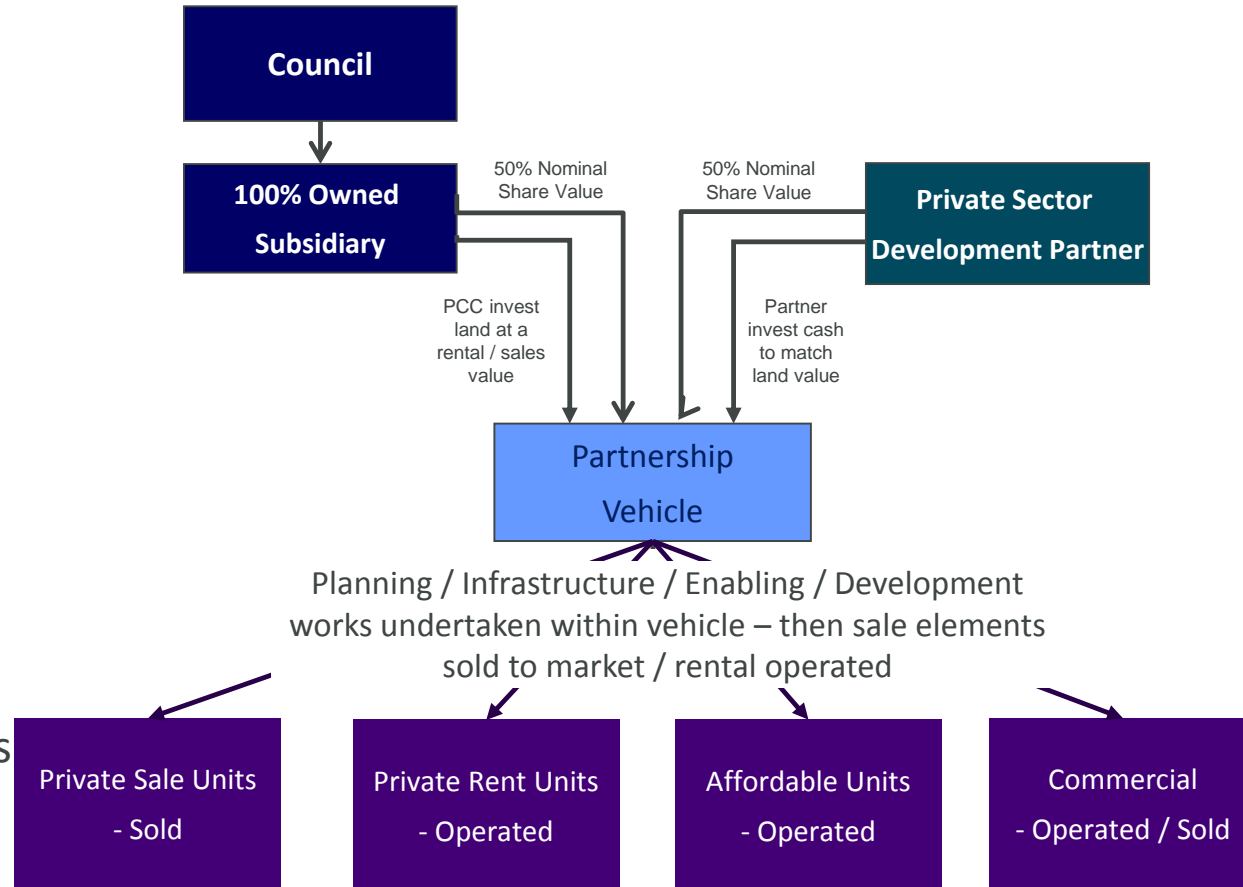
Advantages

- Securitise assets
- Additional return
- Transfer enabling risk
- Limit development risk
- Attractive to private sector
- Shared Financial risk
- Access to skills

Disadvantages

- Costs / time for vehicle
- No guaranteed return
- Land at risk
- Control but responsibility
- Depends on right partner
- No development profit share

Option 3: Joint Venture Development Partner



Advantages

- Securitise assets
- Additional return
- Transfer risk
- Attractive to private sector
- Shared Financial risk
- Access to skills
- Enables pipeline / cross subsidy
- Innovative tenure development

Disadvantages

- Costs / time for vehicle
- No guaranteed return
- Land at risk
- Control but responsibility
- Depends on right partner
- Exposed to dev't / sales risk
- Appropriate partner for site spectrum

Partnership Structures – Case Study

Herts County Council / Surrey County Council / Slough UR

SCC

- Council undertook Asset Triage review
- Highlighted a series of sites that were surplus and have potential for development
- Now procured 30 year partner – Places for People

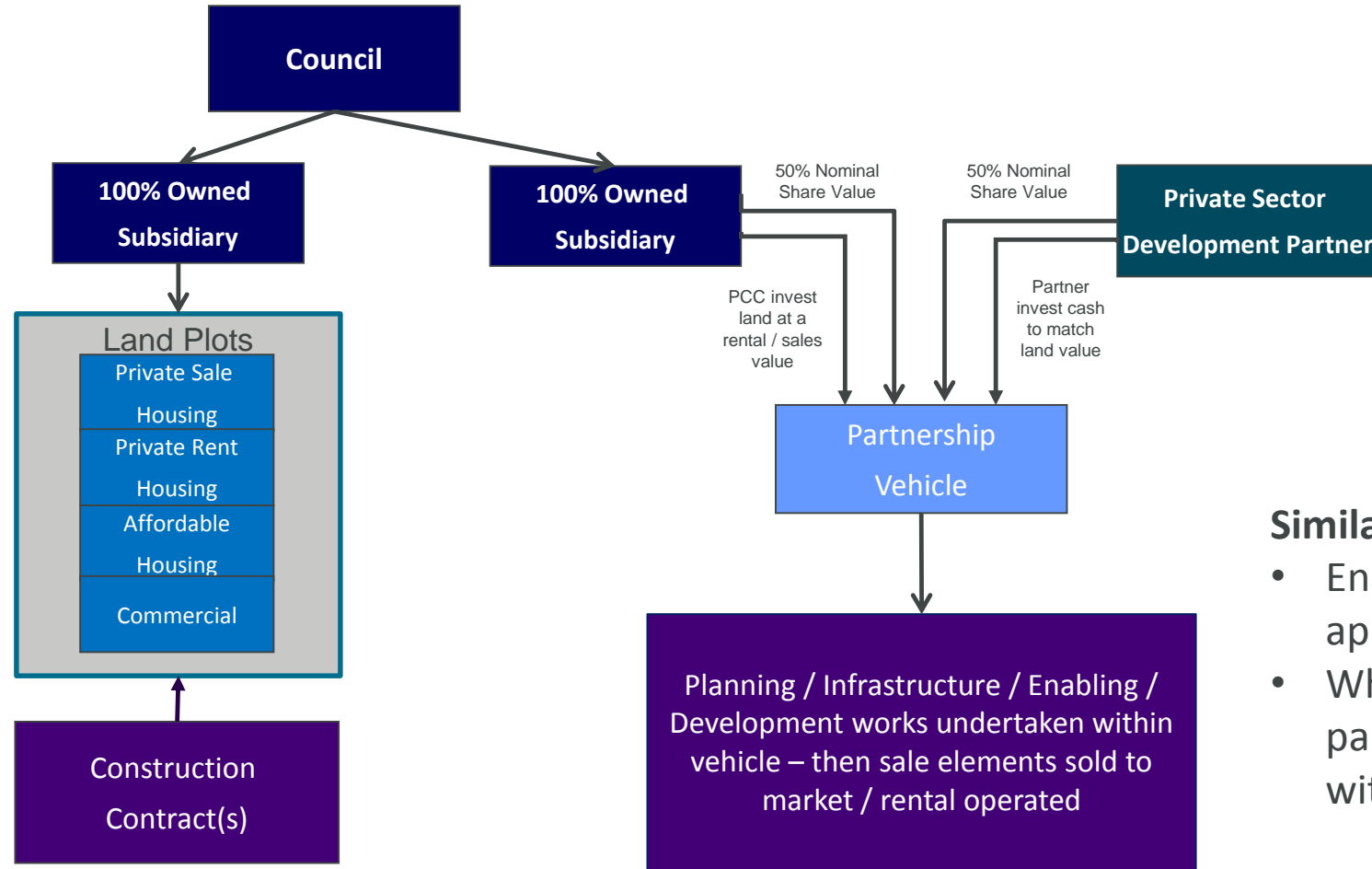


SUR

- Procured partner – Morgan Sindall Investments
- Delivering 24 sites currently – 10 complete - :Leisure / Housing / Commercial
- Marriage – trouble at outset but now significant success
- Significant financial return to Council



Option 4: Hybrid Approach



Similar Ads / Dis

- Enables more subtle approach
- Why put through partnership if happy with risk

Hybrid Case Studies – Case Study

Herts County Council / Southend on Sea BC

HCC

- Council undertook Asset Triage review
- Highlighted a series of up to 40 sites that are surplus and have potential for development
- Now procured 30 year partner – to be announced
- Also established 100% owned subsidiary for individual sites

SBC

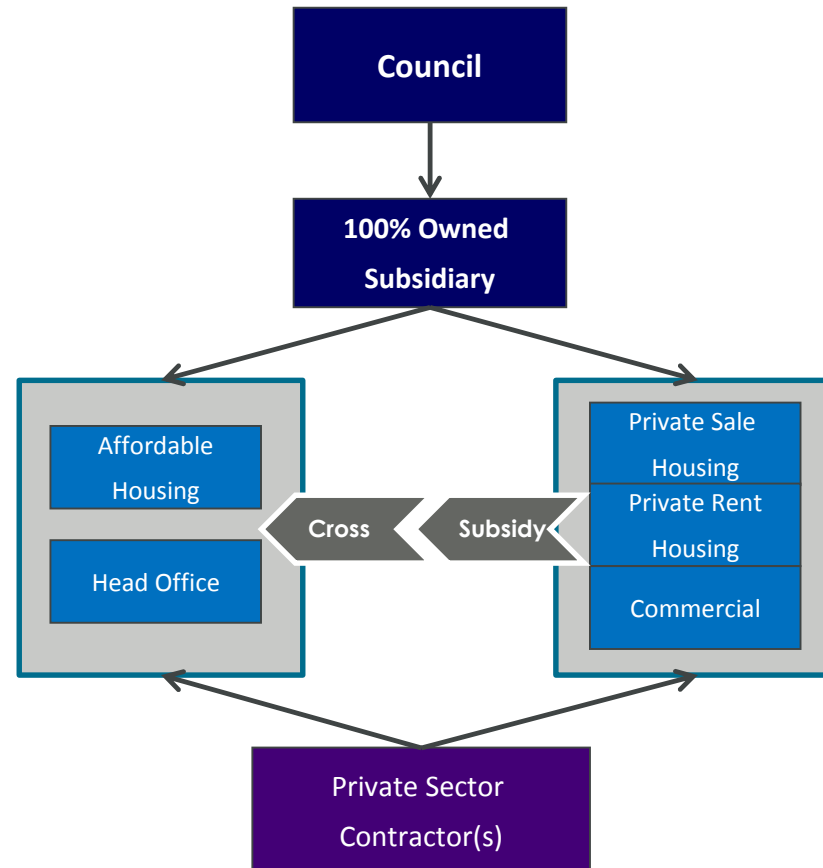
- Currently procuring partner
- Better Queensway – Major Regeneration site 450 homes to 1,300
- Also established Housing Development Company for smaller infill sites

Croydon Council

- Evolved approach
- CCURV – JV w John Laing plus Brick by Brick 100% owned subsidiary
- Now delivering significant development



Option 5: Self Development



Advantages

- Securitise assets
- Complete control
- All returns
- Can trade off social and financial benefit
- Innovative tenure development
- Fixed price contracts to back off risk

Disadvantages

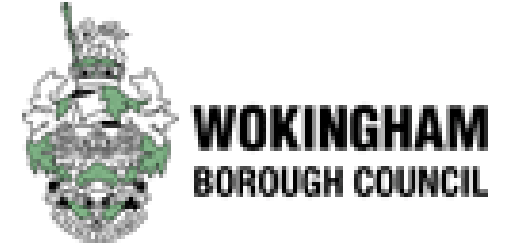
- All risks borne by Council
- Outside skill set / remit
- Political organisation
- Control but responsibility
- Legal structures required
- Resourcing resourcing resourcing!

Self Development – Case Study

Wokingham BC / Hertsmere BC / LB Camden

WBC

- 100% owned subsidiary company - WHL
- Council investing land at nil value for affordable units
- Equity investment of capital resources and on lending of PWLB
- Developing mix of private (15-20%) and affordable units with private to cross-subsidise



HBC

- Similar model - HDL
- Initial programme of 18 sites

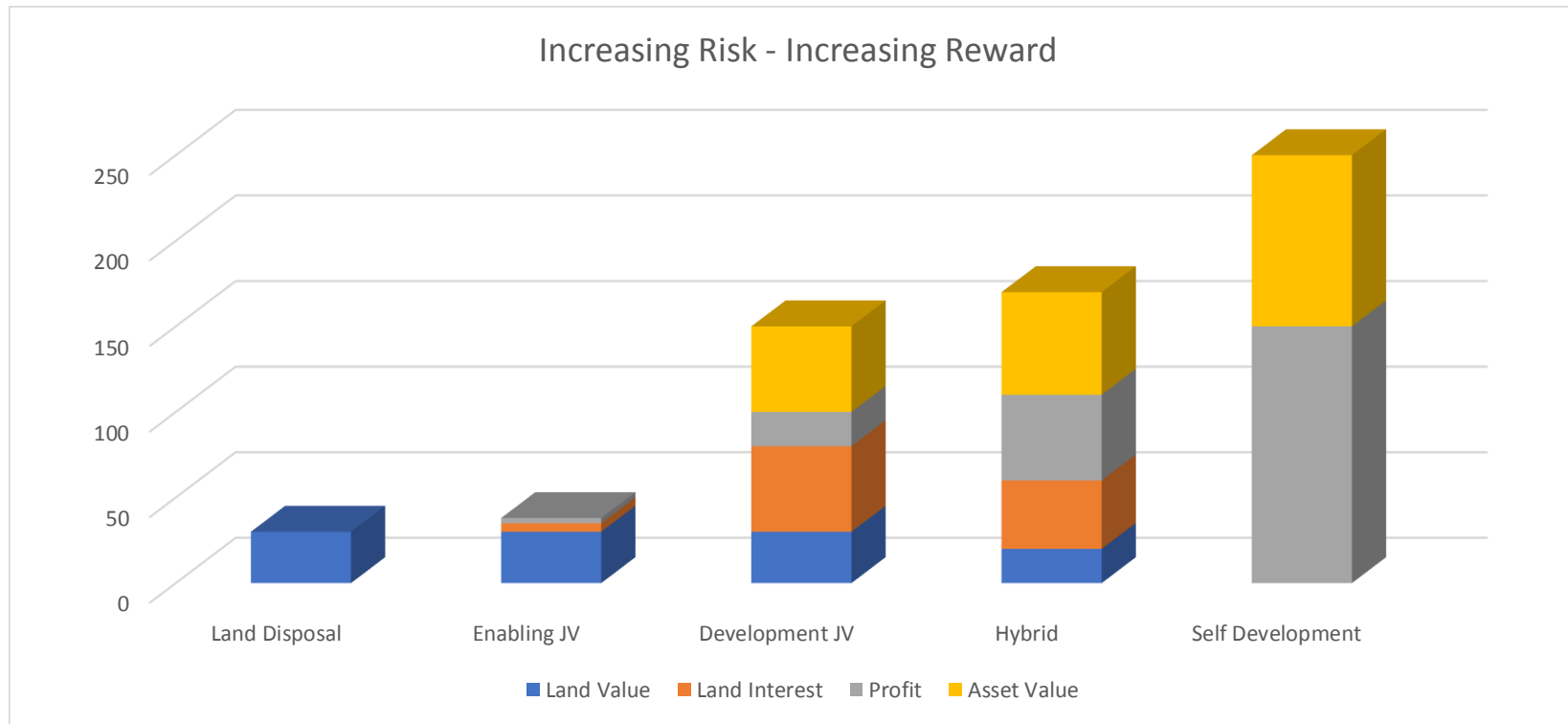


LB Camden

- CIP programme
- Cross subsidise schools through development
- Series of small and large sites
- Challenges but some success



Comparative Returns



Annual Rent	£0m	£0m	£5m	£5m	£10m
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Conclusions

- Be clear what you want
- Be pragmatic about your organisations appetite for risk
- AND how it takes decisions
- Appraise the options
- Structure yourself appropriately
- Understand any partnership is a marriage – You have to work at it

QUESTIONS?



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