

Trafford Council & Trafford Housing Trust

Potential for a Land Pooling Agreement

Stage 1 Advice

July 2013

urbandelivery

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1.0 Introduction and Scope

- 1.1 We are pleased to set out in this report our advice in response to Stage 1 of the Brief. We have met with representatives of the Council (TC) and Housing Trust (THT) and have received an initial briefing. We have seen the sites, have reviewed the Masterplan and have begun to build up an understanding of the area and the specific development/refurbishment opportunities.
- 1.2 Our advice focuses on four main areas;
- Delivery option alternatives to a LPA
 - How a LPA works
 - Risks and rewards of a LPA
 - Potential use of CPO powers
- 1.3 In addition, we have set out a brief review of the options for procuring developer/investor partners. We believe it is appropriate to consider this aspect as part of this work as it may have implications for the decisions on the most appropriate delivery option and how TC and THT aim to partner with the private sector.
- 1.4 In providing this advice we have sought to understand the key factors that are important to both TC and THT when considering the delivery options and in reaching a preferred option. In summary these are;
- To secure delegated authority to progress all the sites and to deliver all projects identified in the Masterplan in the most cost and time efficient manner possible.
 - To deliver projects in a co-ordinated manner that optimises outputs and financial returns.
 - To help ensure a consistent and robust approach over the lifetime of the delivery of each project.
 - To protect the land for regeneration and to be able to ensure overall financial viability of sites within the project area.
 - To provide the private sector with confidence that the sites will be delivered in a co-ordinated and comprehensive manner by the public sector.
- 1.5 Taking these objectives into account we now consider in the next section each of the options available to TC and THT.

2.0 Delivery Option Alternatives to a Land Pooling Agreement

- 2.1 In this section we set out the potential delivery options open to TC and THT. Most of these options could form ‘stepping stones’ towards a Land Pooling Agreement (LPA) and may be relevant where the parties are looking to build confidence internally while progressing the potential to achieve a LPA.
- 2.2 However, most of these options could also provide delivery mechanisms in their own right depending on the level of need that each party identifies as being necessary to achieve the collective goals of new development, investment and economic outputs.
- 2.3 In considering these options it is relevant to have regard to the potential procurement of a developer partner or developer partners which would deliver the projects and how the private sector would view the development/refurbishment opportunities and the relationship between TC and THT.
- 2.4 The five options that we consider are;
1. Do Nothing/Act Independently
 2. Memorandum of Understanding
 3. Joint Working on Specific Land Area(s) Only
 4. Informal Joint Working Across All Sites
 5. Formal Joint Working Across All Sites (Land Pooling Agreement)

2.5 We now consider the potential of each option below.

Do Nothing/Act Independently

- 2.6 Under this option both parties agree to work independently of each other. There would be no joint working.
- No costs to set up a delivery vehicle
 - Both parties would act individually
 - There are no identified reasons to collaborate
 - No additional benefits to be secured through any form of partnership working or formal legal structure
 - Both parties would bring forward sites individually with no co-ordination or joined-up delivery programme
 - Any potential for ‘additionality’ would not be pursued
 - There would be no co-ordination between TC and THT to help attract private sector investment and development.

2.7 This option can be excluded as there is currently a strong working relationship between TC and THT. A number of projects are being actively promoted and one has been completed. Based on the five objectives set out in section 1, it is clear that this option would not provide an appropriate basis to deliver the projects set out in the Masterplan. This option should be excluded.

Memorandum of Understanding

2.8 This option provides an initial basis for joint working. At its most basic level it is an agreement to meet and share information. In its more complex form it provides the first 'stepping stone' towards a more detailed delivery structure and provides a basis for co-ordination.

- It provides a base for both parties to start to work together on an informal basis
- It demonstrates a willingness to collaborate but without any formal partnership/legal agreement
- It allocates potential resources by both parties to attend meetings and potentially co-ordinate skills sets and align objectives etc
- It recognises the potential benefits of joint-working
- Costs of agreeing a Memorandum of Understanding would be limited
- Agreement on working arrangements, Officer time and seniority and reporting to relevant Boards/Committees would need to be agreed but would be 'light touch' at this stage
- Both parties would bring forward sites individually but would share information to help inform each other and provide a basic level of co-ordination
- TC and THT would be able to demonstrate a loose working relationship when seeking to attract and secure developer interest.

2.9 This option can be an important step where two or more unrelated parties are seeking to take cautious steps to help determine whether joining forces could be beneficial. However, as stated in the first option above, TC and THT already have a good working relationship and therefore this option has effectively already been superseded.

Joint-Working on Specific Land Area(s) Only

2.10 This option recognises that in certain circumstances and on certain sites or combination of sites it would be beneficial for both parties to work together to deliver agreed outputs. This could be for a variety of reasons which could include; shared infrastructure, land decontamination, access/egress issues, enhanced potential through joining land ownerships etc.

- Benefits would be secured over and above each party acting independently
- Possible joint procurement of skills including developer partner or contractor

- Informal arrangement between TC and THT which could show the developer market a co-ordinated approach to delivering projects and economic outputs on key sites/combined land areas
 - This approach may offer the opportunity to work on a limited number of sites and enable sites that are financially viable to be delivered along with sites that are not viable in their own right.
- 2.11 A sub-set of this approach could be joint-working to agree land swaps to help achieve development while both parties retain independence. This can occur where a new road access may be required and cuts through both parties land. Often it is best to agree land swaps (including any balancing financial payments) so that each party ends up with developable plots each side of the new access.
- 2.12 This option is effectively in operation at the moment as early sites are being progressed. It is clearly a proven working arrangement but does not optimise the delivery potential of all the sites within both parties' ownerships. Under this arrangement there is no guarantee that both parties will continue to make all the land in their ownerships available to deliver the Masterplan. There is no delegated authority, and a risk that changing priorities may generate differing approaches to the area effecting delivery of longer term projects. There is also no formal arrangement between TC and THT that can be shown to the private sector market that demonstrates a fully co-ordinated approach to delivery and therefore reduced delivery risk from the private sectors' viewpoint. At present there is co-ordination between TC and THT which is producing positive actions and there is a willingness to work to deliver sites that are both financially viable and those which are not. However, without a basis for sharing responsibility across all the sites it will prove to be difficult to co-ordinate delivery of the viable and unviable. This option is working well at the current time, but it will need to be upgraded in order to deliver all of the Masterplan's objectives and optimise benefits for the area.

Informal Joint Working Across all Sites

- 2.13 This option provides a 'loose fit' between TC and THT which either party could walk away from at any time. It demonstrates a willingness to work together without the cost of creating a formal LPA.
- No costs to set up but probably based on a more detailed Memorandum of Understanding which may include an indication of the timeframe the arrangement would run for
 - Both parties would still act independently
 - Both parties would co-ordinate to produce a joined-up delivery programme
 - Opportunities would exist to agree joint investment if appropriate
 - One party may support the other to deliver projects such as use of CPO powers
 - This approach would be similar to public sector bodies working informally together to deliver projects.
 - This approach could be subject to change if priorities, key individuals or funding needs change and would not have the rigour and legal commitments of a formal LPA.

2.14 The conclusions set out in the option above apply equally here and therefore would be subject to the same potential weaknesses which may become more apparent over time. The need to provide confidence to the private sector developer and funding markets cannot be stressed too highly in the current market conditions. Developers are highly risk averse and finance is still difficult to secure. It is therefore important that the public sector provides the best possible basis for delivery. To date the activities of TC and THT demonstrate a sound working relationship, however, we believe this can be improved in order to be prepared for the more complex delivery and market pressures that will exist going forward.

Formal Joint Working Across all Sites (Land Pooling Agreement)

2.15 This option provides a legal entity and requires both parties to agree the value of the assets that will form the basis of the LPA. It provides a robust mechanism to optimise change and deliver outputs across a number of land parcels. It also provides a demonstrable commitment by the parties to work together to achieve objectives. This will help to attract developer interest and help to manage the delivery of sites which are both financially viable and financially unviable.

- A commitment that will provide clear responsibilities and objectives to help overcome future changes in personnel or political change
- An opportunity to merge skills within TC and THT to deliver the LPA
- Ability to deliver the right land uses in the right locations, including cost elements such as open space, community uses etc
- Efficiencies in procurement, infrastructure, access/egress etc
- Ability to optimise each parties strengths such as use of CPO powers or access to housing funds etc

2.16 This approach provides the best mechanism within which both TC and THT could operate to deliver required outputs. It will provide stability once up and running but will require both parties to reach agreement on land values and the detail of the legal entity in order for it to get to the starting line. It will provide the basis within which each of the objectives set out in Section 1 can be addressed and it will provide a strong message to the private sector. It will also enable TC and THT, through the LPA to enter into a range of relationships with private sector developers from standard development agreements to joint ventures. It will also ensure that both TC and THTs' procurement rules and regulations are aligned. Overall, having looked at the opportunities and complexities of delivery over an extended time period, we are of the opinion that a LPA would be the most effective delivery mechanism for TC and THT.

2.17 Further thoughts on the risks and rewards of this approach are set out later in this report.

3.0 How a Land Pooling Agreement Works

3.1 We set out in this section a broad review of how a LPA can work. In reality it needs to meet both parties objectives if it is going to optimise its function.

3.2 In broad terms the LPA will work in the following way;

- Both parties will agree to put land assets into the vehicle which will be ring-fenced for the purpose of the LPA. There may be mechanisms agreed that allow for land to be taken out and other land to be included at later dates but this will need to be assessed very carefully so that it doesn't undermine the reason for the LPA and is achievable legally.
- Both parties will agree on the appointment of an experienced valuer to provide independent expertise to formally value the assets that form the LPA. This is an area where parties can disagree with the figures. There may be issues relating to existing book values or other opinions on value and can be a cause for delay and sometimes cause the LPA to be shelved. It is important that both parties are happy with the background, knowledge and expertise of the valuer and then trust that the figures will be appropriate and correct. If this can be achieved it is a major step forward in successfully setting up a LPA.
- The value of each parties land assets will form the ratio for future sharing of profits and any agreed investment. This effectively equalises the land assets in the LPA and helps both parties to focus on optimising outputs and returns across the whole land portfolio rather than focussing only on its own land assets.
- The LPA will probably be time limited but have provision to extend its life with the agreement of both parties.
- One of the parties should take day to day responsibility for running the LPA or both parties agree to put a joint team in place. Whichever route is agreed the delivery team will report to the LPA Board which will be made up of senior representatives of both organisations. This could be a continuation of the existing Old Trafford Masterplan Board which is already in place. It will be important that there is as much consistency as possible in the Board members over the life of the LPA to ensure consistency of decision-making. The detail of this would need to be worked through to ensure an appropriate balance is achieved not only in how the LPA is led but also how it is perceived by the developer and funding markets.
- The Masterplan objectives can then be taken forward into a delivery strategy which will seek to plan a logical approach to development and refurbishment of the assets. This will be worked up by the LPA and ideally any external advice would be secured by the LPA rather than individually by TC and THT.
- Both parties can invest in the sites to help optimise their attraction to the developer market, such as undertaking necessary survey work, securing outline planning, undertaking preliminary works such as decant etc. Funding this activity will need to be set out in the LPA and probably based on the ratio of the value of land assets in the LPA.

- Both parties will agree on the most suitable procurement procedures to secure developers. This may be a single procurement if all the sites could be delivered by a single long-term private sector partner. Alternatively, the LPA could seek to package sites and take these to the market or go out on a site by site basis. The scale of potential across all the sites may mean that a single long-term partner is not achievable. The overall scale of development may be insufficient to attract the right partners. However, we would suggest this is tested through informal discussions with developers so that informed decisions can be made and a clear procurement strategy set up.
- The LPA partners will have the option to put all the assets into the LPA from the outset or put them in as they are required for development/refurbishment. There will be differing views on this aspect which will need to be debated and agreed as the detail of the legal documents is progressed. There may also be tax issues that will need to be considered.
- The timing of land value payments and any sharing of profit will need to be determined on a project by project basis with the developer partner, but the objective should be for the LPA to secure its fair share of profit generated and also secure the initial land value for each site or combination of sites developed.
- Profits and initial land values will need to be held and distributed appropriately and the mechanisms for this will need to be considered by TC and THT. Part will probably be held to cover future needs of the LPA to deliver future sites, part could be paid out to TC and THT based on their respective shares in the vehicle. There may be specific dates agreed when funds could be released back to each party or there could be a more flexible approach possibly based on a project by project basis. With any of these options there may be a need to achieve a minimum balance before any profits are shared. There will also need to be clarity on final payments on completion of the LPA to ensure all liabilities are met and any remaining surplus then shared.
- We set out in the Appendices an indication of how the LPA could work in broad terms and how it could connect into future procurement of developer(s) and delivery of projects.

4.0 Risks and Rewards of a Land Pooling Agreement

- 4.1 We set out below the broad areas of risk and potential rewards for a LPA. As ever with an assessment of this type different parties will have different perspectives not only relating to risks and rewards but the weighting they may place on each.
- 4.2 It will therefore be important for TC and THT to make judgements from their own perspectives and feed these into the work that will be undertaken to set up a LPA should both parties choose to do so.
- 4.3 It should also be remembered that risks and rewards should be considered from the perspectives of going ahead with a LPA and NOT going ahead with one.
- 4.4 We set out broad risks and rewards below.

Risks

- Potential will exist to fail to reach agreement on the value of both parties' assets.
- Detailed drafting of the LPA documentation may throw up issues that cannot be resolved by the parties. This may include potential to add land or remove land at a later date, ring-fencing land for the LPA, deadlock issues, potential commitments to investment to help create deliverable sites etc
- Changes in personnel through the operational phase of the LPA may cause difficulties both in terms of day to day work and at Board level
- Potential issues relating to the costs of running the LPA and committing staff from TC and THT to operate it
- Use of external consultants – should they advise the LPA or would each party seek their own advisors?

Rewards

- TC and THT can establish a co-ordinated approach to delivering projects and securing required outputs
- Decision-making can be for the greater good of the area rather than just for individual land ownerships
- The LPA will have control of any profit monies to reinvest in other sites to help ensure delivery of all the outputs across all the sites. This will potentially ring-fence a proportion of such monies but there will be mechanisms agreed for paying out profits through the life of the LPA
- The LPA will enable the right land uses to be located in the right places as the returns from development will have been equalised. Without the LPA both parties may seek to secure higher value uses on their land in order to optimise financial returns to the

detriment of the wider regeneration scheme and neighbouring land values. The LPA should ensure best return overall for both parties

- The LPA will provide a clear statement of intent from TC and THT to any prospective private sector partners. This should help to optimise interest and help attract the best developers with access to robust funding and with strong covenants

4.5 Any venture of this type will not be without risk, however, it is clear from the relationship between TC and THT that there already exists a strong working ethos and therefore the process of creating a LPA within an efficient timescale should be possible, provided both parties are willing to work quickly and effectively and recognise the potential benefits in terms of new investment and economic outputs that can be secured for the wider area.

5.0 Consideration of LPA and Developer/Investor Procurement

- 5.1 At this early stage it is relevant to look ahead and consider how the potential LPA will seek to partner with the private sector.
- 5.2 There will be a number of specific opportunities, some new build, some refurbishment, mostly residential related but also some community and commercial uses. In addition there may be a need for decant of tenants and acquisition of freehold and leasehold ownerships, potentially backed by a CPO.
- 5.3 Two main options exist to partner with the private sector;
- A single partner to work with the LPA to deliver all the required projects and outputs. This would be a long-term relationship and potentially one where the private sector partner is both a developer and investor in the area. A single procurement would be needed.
 - A number of developers would be procured over the life of the LPA to deliver the outputs required. Each developer would be focussed on delivery of the specific project or a number of grouped projects, only. A number of procurements would be needed.
- 5.4 It is important to have regard to these options in broad terms now as they will have implications for the way the LPA is set up and run over its lifetime.
- 5.5 There will be a number of issues for each option that would need to be considered by both TC and THT in entering into a LPA. First and foremost would be the costs and time required to manage and run a number of procurements versus a single procurement.
- 5.6 The Appendices provide an indication of how the LPA, procurement of developer(s) and delivery of projects could operate based on single and multiple developer procurement routes.
- 5.7 We now consider the two options in broad context.

Traditional Approach – Development Agreements

- 5.8 The development agreement approach is a contractual relationship to build/develop a specific site and the parties obligations are confirmed and limited by the contractual relationship.
- 5.9 In such circumstances 'A' contracts 'B' to procure 'C' but A and B's relationships does not go beyond providing C. If there is a default or breach of the specific contract the remedies of A (TC & THT) are relatively clear i.e. to sue on the contract and recover costs. B, the contractor, invests in the contract only for the purposes of performing its obligations and takes a specific development profit. It does not seek to create a wider investment partnership.
- 5.10 This arrangement can be set up to procure developers on a site by site basis or by combining sites and procuring developers to deliver a larger scale of projects over a longer time period.

Different Approach – ‘Asset Backed Vehicles’

- 5.11 In recent years public bodies have aspired to a different type of property investment/regeneration relationship where they procure a development/investment partner and the parties agree to different habits and act as long-term co-investors in a local economic context.
- 5.12 The rights of the parties can be more flexibly seen as a partnership within a contracted joint venture, looking ahead for a longer period, say 10-15 years (with agreed breaks if projects do not proceed well on the basis of not achieving agreed thresholds) and with agreed returns on investment, with the procured private sector party being incentivised to accept a higher degree of risk and upfront costs to bring forward projects (e.g. project proposals, feasibility studies, design, planning applications etc).
- 5.13 The size of the overall opportunity i.e. size of the Gross Development Value that might be obtained from the sites will be crucial in attracting enough interest from the private sector.
- 5.14 This can be tested before committing to a full procurement exercise through soft market testing to gauge developer/investor appetite for the package of site.
- 5.15 Overall, both TC and THT will be able to judge which approach could work best, both in terms of their own operational needs and in terms of the overall attractiveness and packaging of sites for developers.

6.0 Compulsory Purchase

- 6.1 During our briefing meeting we were asked to consider the potential use of CPO powers to help secure all the land needed to deliver the outputs required.
- 6.2 CPO is very much a legal process and therefore we would recommend that both parties seek experienced legal advice to help understand fully the process and necessary legal steps that would need to be taken so that decisions can be made as to whether to use CPO powers.
- 6.3 In broad terms at this stage we can provide the following comment/guidance to help both TC and THT understand what would be required.
- We presume TC would use its powers but at this stage it is not clear whether they would be exercised under planning, housing or (less likely) highways powers.
 - In order to successfully secure a CPO there must be a compelling case in the public interest.
 - At present one leasehold ownership is being considered for a possible CPO but we would suggest both TC and THT review all the land needed to deliver the Masterplan and determine whether there are any further areas of land that might be required. Where ownership is unclear it may be appropriate to include it in a potential draft Order or where TC or THT own land it may be appropriate to include some of it where easements or rights of way etc exist that need to be extinguished. The benefit of a confirmed CPO is that it will clean the title.
 - If TC is promoting the CPO it will be important that expert valuation advice is secured to cover both purchase and compensation costs. It will also be important for TC to understand the values that it will be able to negotiate within its responsibilities as a publicly funded organisation.
 - Where land is needed to be acquired it will be important that TC is seen to actively negotiate to purchase. This can be assisted by the threat of CPO.
 - Any CPO process will need to demonstrate that projects will not happen without a successful CPO and therefore it will be important to demonstrate that upon confirmation of the Order delivery of the projects will commence. Therefore to have a sound planning base, a planning permission, development partner and necessary funding in place for the acquisition of the land and to deliver the project(s), will help to demonstrate commitment and deliverability to an Inspector at Inquiry. However, not all of these need to be in place prior to an Inquiry.
 - The CPO process itself needs to be adhered to carefully and the Council, as promoting authority, will need to make appropriate resolutions to commit to the process. External legal advice will be necessary unless there is appropriate experience in-house.
 - Promoting the draft Order, identifying the red line boundary for the Order Lands, issuing the correct notices and publicising the process will all need to be undertaken to ensure the Council's legal responsibilities are met.

- The red line boundary will set the land area(s) that the Council will be seeking to CPO. It is vital this is considered very carefully as land can be taken out of a CPO but cannot be added in later. If land is missed a new Order would be required to secure that additional land.
- The CPO process will involve the preparation of a 'Statement of Reasons' setting out why the acquiring authority is seeking to use its powers for the land in question. This will be followed later by a 'Statement of Case' which will set out the acquiring authority's case that it will be making at the Inquiry.
- Preparation for the Inquiry will also involve the drafting of proofs of evidence by key individuals within TC and possibly THT and any external consultants that may be needed to help ensure the Council's case is promoted in the best and most appropriate manner.
- Some CPO processes can be led by experienced solicitors but many will employ a barrister or Queen's Counsel depending on the scale and complexity of the case. Sometimes budgetary consideration plays a part in determining the level of legal expertise that can be afforded. However, the objective should always be to bring together the best possible team in order to win the arguments and secure the land needed.
- At Inquiry witnesses will present their evidence and be submitted for cross-examination by the other side. This is the same for witnesses acting for the promoting authority or an objector. The Inspector may also ask questions of the witnesses.
- Following the Inquiry the Inspector will prepare his/her report and submit it to the Secretary of State. Depending on the complexity of the case it can take anywhere from 3 to 9 months before a decision is announced. Sometimes timescales can be shorter and on rare occasions timescales can be longer.
- Following the announcement of the decision and assuming the Order has been confirmed, there is a short legal challenge period, where parties can seek to raise objections on points of law. If this happens there is a further procedure to follow in the High Court.
- Once the legal challenge period has expired and assuming there are no challenges the Council would need to issue notices to confirm the CPO and would then be able to issue either a General Vesting Declaration or Notices to Treat to enable it to enter onto the land and secure it.
- Any outstanding purchase costs and compensation could be dealt with and agreed at any time, but does not have to be completed in order to enter onto the land. Where agreement on price and compensation isn't agreed there is provision to hear the respective positions at the Land's Tribunal where the matter will be settled. This can happen many months after the Council has secured the land.

7.0 Conclusion

- 7.1 In conclusion, we set out the main areas that TC and THT should consider in determining the best approach to ensure delivery of all the outputs and projects identified in the Masterplan. Much good work is already underway and there is a good momentum on a number of projects. There is clearly a desire to ensure such momentum is not lost.
- 7.2 In providing the advice we have sought to understand the key factors that are important to both TC and THT when considering delivery options and in reaching a preferred option. In summary these are;
- To secure delegated authority to progress all sites and to deliver all projects identified in the Masterplan in the most cost and time efficient manner possible
 - To deliver projects in a co-ordinated manner that optimises outputs and financial returns
 - To help ensure a consistent and robust approach over the lifetime of the delivery of each project
 - To protect the land for regeneration and to be able to ensure overall financial viability of sites within the project area
 - To provide the private sector with confidence that the sites will be delivered in a co-ordinated and comprehensive manner by the public sector.
- 7.3 We have considered five options ranging from doing nothing through to a possible Land Pooling Agreement. These are as follows;
- Do Nothing/Act Independently – This option can be excluded as there is currently a strong working relationship between TC and THT. A number of projects are being actively promoted and one has been completed.
 - Memorandum of Understanding – As stated in the first option above, TC and THT already have a good working relationship and therefore this option has effectively already been superseded.
 - Joint-Working on Specific Land Area(s) Only – This option is effectively in operation at the moment as early sites are being progressed. However, without a basis for sharing responsibility across all the sites it will prove to be difficult to co-ordinate delivery of the viable and unviable. This option is working well at the current time, but it will need to be upgraded in order to deliver all of the Masterplan objectives and optimise benefits for the area.
 - Informal Joint-Working Across all Sites – The conclusions set out in the option above apply equally here and therefore would be subject to the same potential weaknesses which may become more apparent over time. To date the activities of TC and THT demonstrate a sound working relationship, however, we believe this can be improved in order to be prepared for the more complex delivery and market pressures that will exist going forward.

- Formal Joint Working Across all Sites (Land Pooling Agreement) – This approach provides the best mechanism within which both TC and THT could operate to deliver required outputs. It will provide stability once up and running but will require both parties to reach agreement on land values and the detail of the legal entity in order for it to get to the starting line. Overall, having looked at the opportunities and complexities of delivery over an extended time period, we are of the opinion that a LPA would be the most effective delivery mechanism for TC and THT.

7.4 A Land Pooling Agreement will have both risks and rewards that will need to be considered. Each party will have differing view and perspectives. However, in broad terms the risks and rewards can be focussed into the following points;

Risks

- Potential will exist to fail to reach agreement on the value of both parties' assets.
- Detailed drafting of the LPA documentation may throw up issues that cannot be resolved by the parties. This may include potential to add land or remove land at a later date, ring-fencing land for the LPA, deadlock issues, potential commitments to investment to help create deliverable sites etc
- Changes in personnel through the operational phase of the LPA may cause difficulties both in terms of day to day work and at Board level
- Potential issues relating to the costs of running the LPA and committing staff from TC and THT to operate it
- Use of external consultants – should they advise the LPA or would each party seek their own advisors?

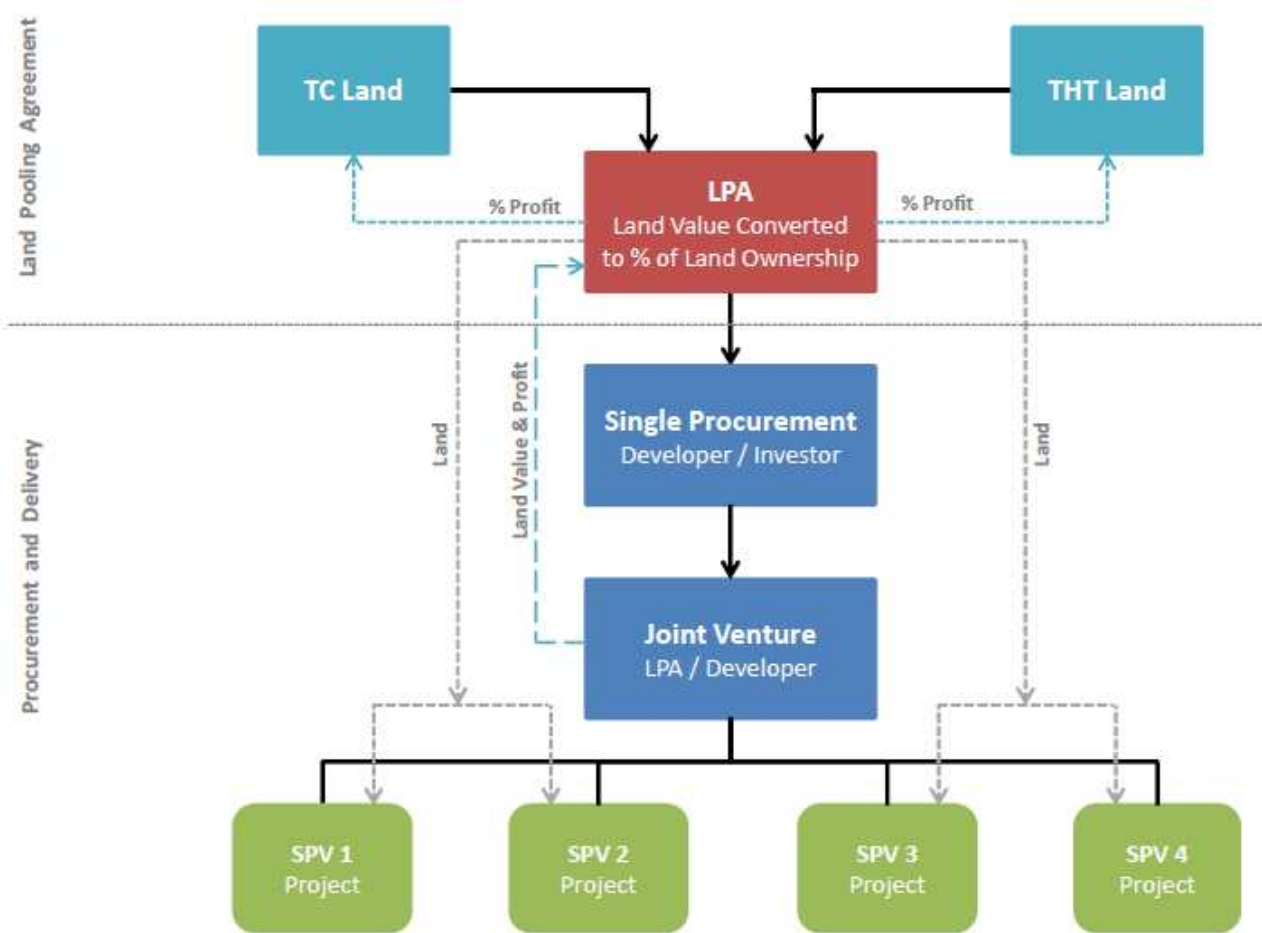
Rewards

- TC and THT can establish a co-ordinated approach to delivering projects and securing required outputs
- Decision-making can be for the greater good of the area rather than just for individual land ownerships
- The LPA will need to agree how any profit monies are reinvested, if required, in other sites to help ensure delivery of all the outputs across all the sites. There will need to be mechanisms agreed for paying out profits through the life of the LPA
- The LPA will enable the right land uses to be located in the right places as the returns from development will have been equalised. Without the LPA both parties may seek to secure higher value uses on their land in order to optimise financial returns to the detriment of the wider regeneration scheme and neighbouring land values. The LPA should ensure best return overall for both parties
- The LPA will provide a clear statement of intent from TC and THT to any prospective private sector partners. This should help to optimise interest and help attract the best developers with access to robust funding and with strong covenants.

- 7.5 Any venture of this type will not be without risk, however, it is clear from the relationship between TC and THT that there already exists a strong working ethos and therefore the process of creating a LPA within an efficient timescale should be possible.
- 7.6 The detail of how the LPA would work will be worked up through the production of the legal documentation but it will be vital that agreement is reached in key areas if it is to succeed. In particular the value of both parties land is always an area for potential challenge and conflict.
- 7.7 Where land is not currently in either TC or THT ownership it could be the subject of a CPO. The use of such powers are common and actively encouraged, where appropriate, by government. CPO can be used to not only secure land required but also clean title. This helps to give confidence to developers and can be a key tool in achieving all the land needed to deliver the outputs required.
- 7.8 The procurement of private sector developer expertise and funding will be an important consideration in setting up the LPA as it will be the LPA that contracts with the developer or developers. The scale of the whole opportunity will need to be considered if the LPA decides to seek a single partner. This would have benefits in terms of procurement costs and time and would aim to secure not just a developer but an investment partner across all the sites. Soft market testing should help to identify developers views on the scale of the opportunity overall. Alternative options will be to package sites for procurement or procure on a site by site basis. Decisions on these options will be made once the LPA is in place or could run alongside the creation of the LPA.
- 7.9 Overall, our firm view is that a LPA is the best mechanism to deliver the Masterplan for the area. It will create a robust relationship between TC and THT that will endure beyond electoral cycles and crucially, it will provide the best possible face to the private sector market that will help to optimise the chances of securing developers with strong covenants and access to appropriate levels of funding.

Appendix 1:

LPA and Single Procurement Diagram



Appendix 2:

LPA and Multiple Procurement Diagram

