UNLOCKING GROWTH THROUGH PARTNERSHIP

Development

Local development, growth and regeneration through successful public/private collaboration

Foreword

Following the joint publication of 'Unlocking Growth Through Partnership' in 2012 by the BPF and the LGA, we recognised that the model for funding development and local infrastructure that had worked for the past 15 years was no longer functional in a low-growth, post-crash world.

Based on a series of roundtable discussions and place-based studies, we examined how the public and private sectors could work together to stimulate the economy and create successful and vibrant places.

Our towns and cities have not stood still since the publication of that report and considerable progress has been made throughout the country, as we see our town centres and local economies transformed. Innovative partnerships have emerged between the public sector and the development industry as councils forge new relationships with major investors. Local authorities are becoming ever more commercially aware with regards to unlocking growth, whether through attracting investment, working with partners to gather and use public sector land, or adopting new ways of promoting their vision to investors.

While some of the recommendations from our earlier report remain valid four years on, we have to recognise that the policy landscape has changed significantly. As well as the obvious uncertainty over the future of EU funding, local authorities face resourcing challenges and systematic alterations to the planning system. However, there are opportunities on offer as well. As a result of the government's continued push towards greater devolution, local authorities have greater control over the issues that affect their ability to attract investment. Proposed reforms will soon allow local authorities to retain 100% of their business rates income, an incentive that will herald a renewed emphasis on growing the local business base and bringing forward development. Support from central government (for example through the Department for International Trade, and previously through UKTI RIO) has also been extremely helpful.

Given the extent of change within the policy landscape, we decided to revisit the topic and in 2016 began a further place-based study to update the recommendations. The study brought together the private sector, local government and central government partners in Southampton and Milton Keynes to consider progress and the opportunities for growth in these cities, and our thanks go to both Southampton City Council and Milton Keynes Council for rising to the challenge and embracing the discussion.

By providing a set of best practice guidelines for progress, we hope this paper will encourage debate across the country about how all partners can work together to create thriving partnerships and packages of support which are able to fund the infrastructure and development critical to the country's growth.

Melanie Leech

Melanie Leech CBE
Chief Executive, British Property Federation

Martin Tett

Cllr Martin Tett
Chair of the Environment, Economy, Housing and Transport Board, Local Government Association

Where now?

There are many examples that show public/private sector partnership has moved in the right direction, driven by ingenuity from local authorities and the private sector and supported by government.

Examples in this report show local authorities across the country innovating and adopting a more commercial mindset, whether they derive income through ownership of shopping centres, promote mixed-use schemes, partner with the private sector on joint venture urban regeneration projects, or use government-led initiatives such as One Public Estate. There is even more, however, that can be done to unlock growth. From our time in Milton Keynes and Southampton we identified the following best practice, which we recommend as a basis for all partners driving the growth agenda forwards:

Pro-growth councils…

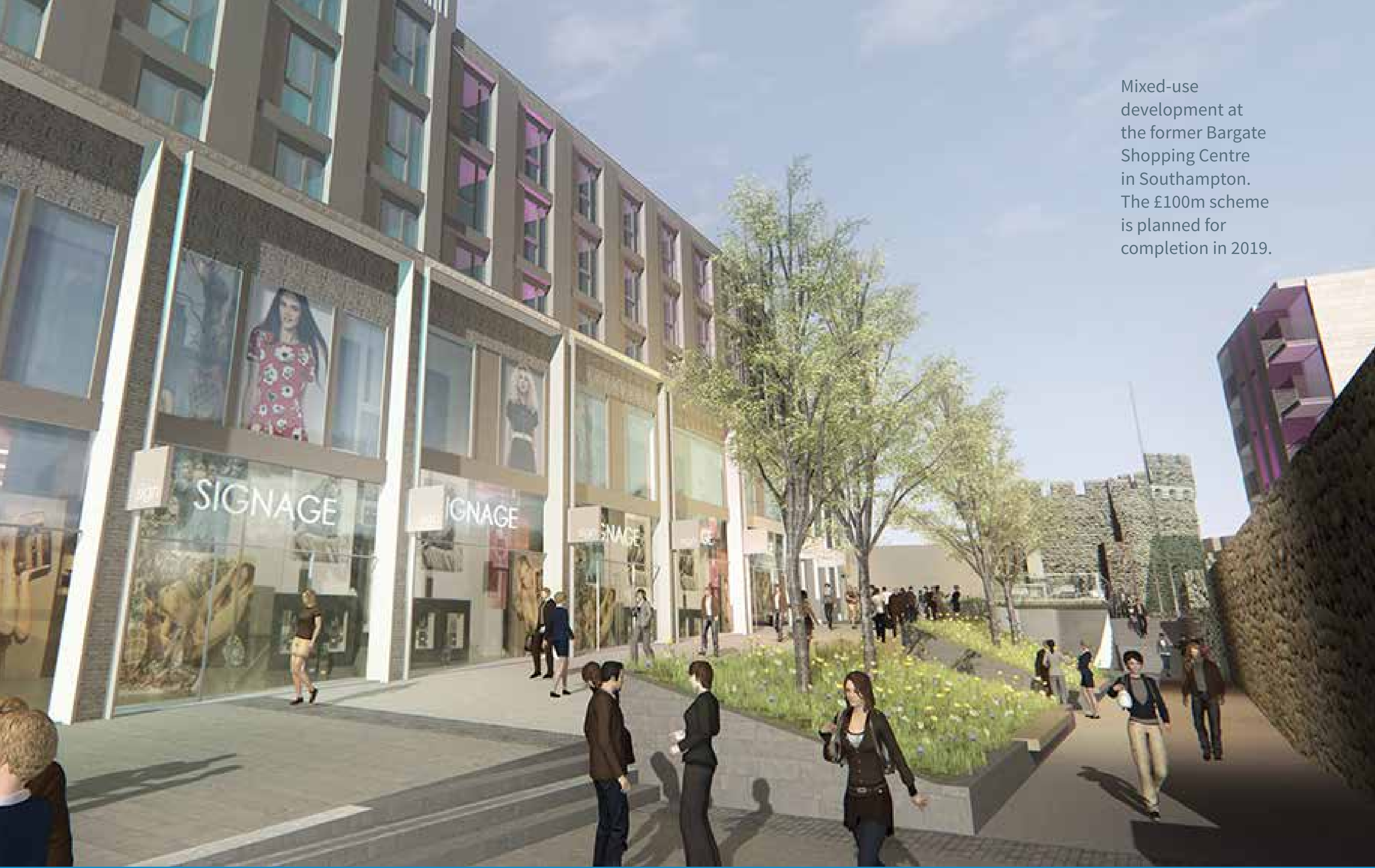
- **Create political certainty**
  Investors will look to local areas where there is cross-party consensus on a framework for attracting and supporting investment.

- **Ensure a convincing and realistic vision**
  A clear and frank assessment of an area's strengths and weaknesses helps convince investors of a local authority's vision for development.

- **Use land assembly tools at their disposal**
  Understanding how public sector land holdings or strategic sites could be brought together is key. Mechanisms such as compulsory purchase and Strategic Development Partnerships can enable councils to package land in a way that is much more attractive to developers.

- **Develop commercial mindsets**
  Understanding the commercial realities and opportunities of an area will help local authorities become less dependent on government funding and the uncertainties that come with this.

- **Are committed to improving infrastructure**
  A pipeline of relevant and achievable infrastructure improvements should be developed and communicated to investors. For some areas, financial tools such as Tax Increment Financing (TIF) or use of the Community Infrastructure Levy (CIL) could help get projects off the ground.



Mixed-use development at the former Bargate Shopping Centre in Southampton. The £100m scheme is planned for completion in 2019.

The best of the real estate sector...

- **Takes a long-term view**
  Investing in an area over a long period of time not only helps build relationships, but also helps deliver more successful developments and wider economic uplift for the local area.

- **Considers the place**
  Good investors get to know an area, its priorities and its history. These can then be used as strengths in the development to create points of difference and a unique selling point.

- **Remains open and accessible to local authorities**
  Expressing clearly what the development needs, and the intentions of the organisation, will go a long way to help garner support.

- **Communicates**
  Developers should engage regularly and genuinely with the local community to earn trust long before the development kicks off.

- **Develops a compelling housing and public realm offer**
  This will complement economic development, and is crucial not only for existing communities but also in attracting and retaining talent.

Central government can...

- **Allow the pooling of funds**
  This could be delivered and encouraged through devolution deals, making it easier for local partners to secure the resources needed in order to bring forward development.

- **Commit to local growth**
  While central government has shown support, a commitment to local growth must be at the heart of the infrastructure investment strategies of arm's-length bodies.

- **Review state aid rules**
  Some opportunities for local growth have been constrained by EU legislation. Brexit provides an opportunity to reform state aid to this end, including greater local flexibilities, and the ability to ensure public grants and subsidies remain focused on the public interest and do not unduly distort competition.

- **Demystify local plans**
  The National Planning Policy Framework (NPPF) and guidance sets out the weight that may be given to emerging neighbourhood plans in decision taking. However, more clarity must be provided about the weight attributed to them at every stage of their preparation, and any strengthening should come with assurances that neighbourhood plans will conform to existing planning law, housing needs and land supply.

- **Simplify the Community Infrastructure Levy (CIL)**
  It is important that CIL policy provides a clear way forward for the future funding of infrastructure, but its current complexities are unhelpful.

Ongoing development of the Fruit and Vegetable Market, Southampton

Case studies

Our discussions in Southampton and Milton Keynes with experts from both local government and the development industry identified a number of ingredients for success, which could have a substantial impact on driving successful regeneration and delivering great places.

Southampton

Southampton is an ambitious city with strong local authority leadership, seeking to achieve economic growth that will benefit residents, visitors and the business community.

Pivotal to achieving this vision is the implementation of the city centre master plan, which recognises that incremental, small-scale, and piecemeal development will not bring about the desired objectives of increasing prosperity and providing significant amounts of good-quality housing. master plan has driven significant transformation of the city centre since its launch in 2012.

Pivotal to achieving Southampton's vision is the implementation of the city centre master plan, which recognises that incremental, small-scale, and piecemeal development will not bring about increased prosperity and significant amounts of good quality housing.

Southampton's master plan is off to a great start, with residential, public realm and research and development sites all underway if not completed. However, the city has also been left with more challenging sites in need of development. To achieve the master plan's ambitions for the remaining sites, a number of challenges must be addressed concerning the upfront costs of land assembly, and there must be adequate internal resources to focus on these tasks. Some of the sites left to market also require off-site highway infrastructure, flood defences, and decontamination, at a time when their values may not support the level of expenditure needed.

Further funding opportunities lie in attracting more occupiers to the city leading to an increase in business rates income; however Southampton presently lacks investment into the office market. In addition, the city faces competition for commercial development from large-scale peripheral developments away from the city centre.

Milton Keynes

Like Southampton, strong leadership from Milton Keynes' local authority drives the city forward. It is the fastest growing city in the UK, one of the most productive, and makes a significant contribution to the national output year on year. With a relatively young population and one of the widest offers of homes for sale at an affordable rate for the South East, the city has much going for it.

Maintaining momentum, Milton Keynes continues to set out its future through the new local plan, Plan:MK, and the MK Futures 2050 report. Milton Keynes has also set up its own organisation for managing many of its property transactions, the Milton Keynes Development Partnership, which helps the city balance its priorities of achieving growth and providing statutory services.

Still, Milton Keynes struggles to get the finances and internal resources it needs to make its forward thinking a reality. The Urban Development Area Tariff that the city adopted in 2007 offers better financing opportunities presently than the later introduced CIL does. Given this, the local authority has been hesitant to introduce CIL until the levy can better fulfil the city's goals, and the city awaits the outcome of the recent CIL review.

While Milton Keynes will have access to relatively healthy business rates income following business rates devolution, the city would like to go further with TIF than it can at the moment. The current five year leverage cut-off does not allow Milton Keynes to invest in some of the riskier projects the city needs but that private sector financing would shy away from, even though the local authority has the appetite for risk. Finally, while Milton Keynes was one of the first cities to introduce a Neighbourhood Plan, it has struggled with identifying and then balancing the mandate the Plan provides for communities, sometimes leading to delayed development opportunities as a result.

Milton Keynes would like to go further with Tax Increment Financing than it can at the moment, as it is currently unable to invest in riskier projects.

The Challenge

While the best practice set out in this report would go a long way to improving relationships and delivering growth through partnerships, delivering these practices requires the support and collective efforts of local government, the development industry, and central government.

There are excellent examples of partnerships leading to successful regeneration, and more places should be encouraged to raise their ambition to help achieve a step change in the growth prospects and regeneration of the UK's towns and cities. Tackling the resourcing issue will be critical to unlocking growth potential – both in terms of local government finances, and in terms of ensuring that local government and the construction and commercial sectors are able to attract and retain talent.

What the BPF and LGA can do to help

The BPF and the LGA will continue to partner with government in working with local areas across the country where our engagement is welcome. These collaborations will allow us to share best practice and ultimately shape a supportive government policy that unlocks growth. If you would like to suggest an area for a future study, please get in touch.

Samuel Jenkins
Policy Officer (Real Estate)

British Property Federation
St Albans House
57-59 Haymarket
London
SW1Y 4QX

020 7802 0121
sjenkins@bpf.org.uk

Kamal Panchal
Senior Adviser

Local Government Association
Layden House
76-86 Turnmill Street
London
EC1M 5LG

020 7664 3174
Kamal.Panchal@local.gov.uk

Further examples

Public and private sector collaboration

Barking is undergoing significant regeneration. The local authority has a long-term vision of turning 350 acres of brownfield land into over 10,000 homes and ample leisure facilities at Barking Riverside, backed by L&Q. A major mixed-use scheme is set to replace an aged mall in the heart of Barking's town centre, and Barking has separately secured funding through the GLA for further town centre regeneration. Upcoming redeveloped transport links will cement Barking's town centre package, which will create a great place from the train station to Barking Riverside. Strong leadership and a commercial mindset have allowed Barking and Dagenham to become one of London's leading local authorities.

Newcastle Science Central will become a major hub for scientific research and technology businesses and is one of the biggest urban regeneration projects of its kind in the UK. Legal & General has partnered with Newcastle City Council and Newcastle University to deliver Science Central, moving away from the traditional procurement tendering method through joint venture. The joint venture model allows each part of the project to be financed differently, ensuring the funding answers for each part are the right ones. This means that Legal & General can afford to make a loss on some parts of the projects while making a profit on others, maintaining the viability of the overall project. Newcastle is an exemplar in moving away from the adversarial context of the traditional OJEU and section 106 process, towards one in which both the private sector and public sector collaborate over the long term.

Government's helping hand

Councils have been bringing forward redundant and under-used land and buildings for redevelopment, held both by councils and public sector partners. Liverpool Council, for example, has worked with the One Public Estate programme to redevelop the Knowledge Quarter.

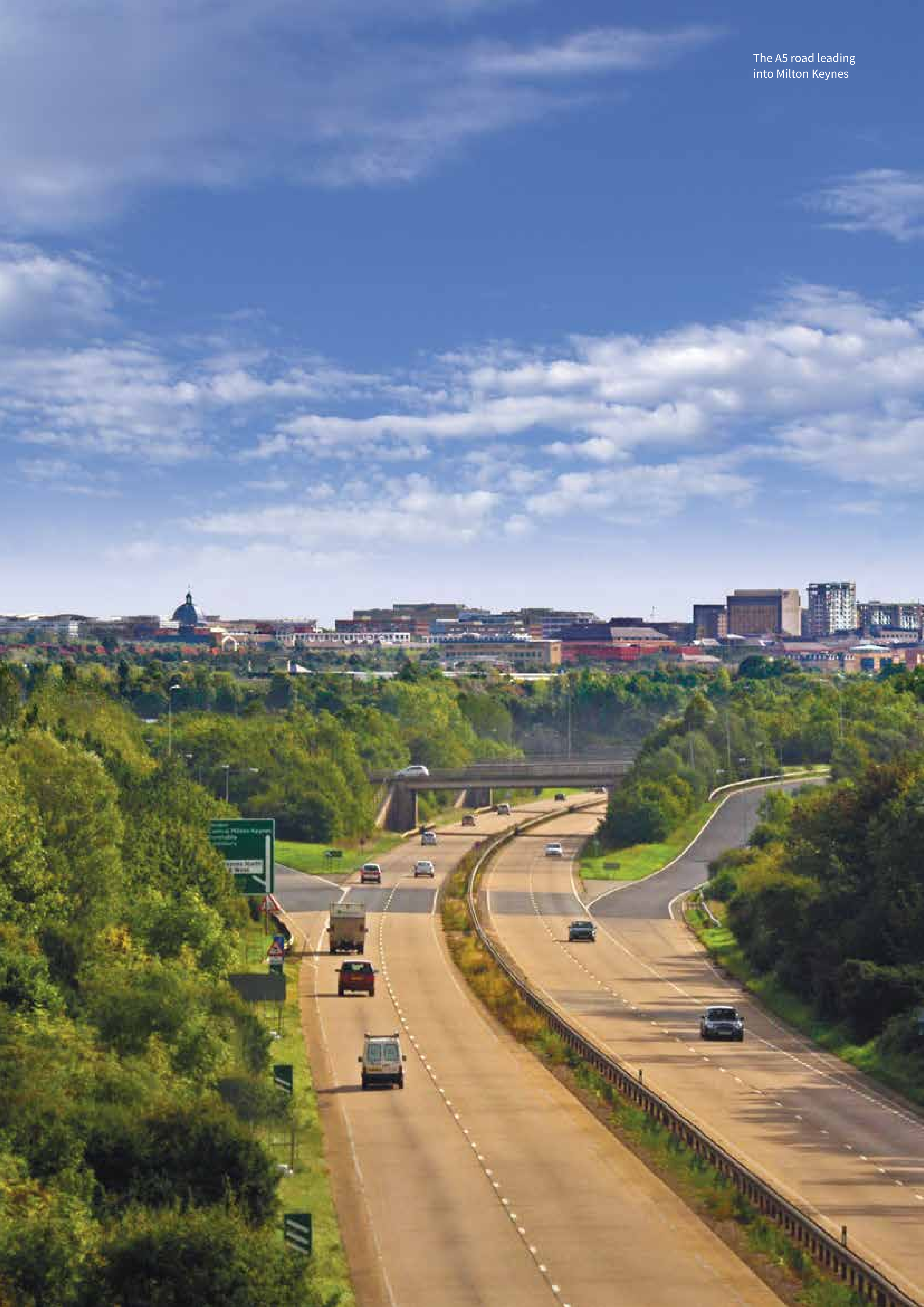
Support from central government (for example through the Department for International Trade, and previously through UKTI RIO) has also been extremely helpful. Both Slough and Liverpool have been able to secure significant investment through overseas sources with government support.

Local authorities thinking commercially

Worthing Borough Council, with the support of West Sussex County Council and other partners, has been developing a new vision for how the town will continue to be transformed in the future. Worthing are inviting investors to be part of that transformation through the Worthing Investment Prospectus.

Over the last few years several councils, such as Eastleigh, Surrey Heath, Woking and Basingstoke, Canterbury, have been investing in commercial ventures, such as shopping centres. Often using the historically low borrowing rates from the Public Works Lending Board, they are able to benefit from a steady income stream that frees up resources that can be spent on unlocking growth.

According to Cushman & Wakefield, shopping centres in Cramlington and Sutton Coldfield bought by local authorities have reached annual yields of up to 7.4%. As well as a steady stream of income, it helps to make councils much more commercially minded and knowledgeable about retail markets as they become responsible for the success of their shopping centre investments.



The A5 road leading
into Milton Keynes

Cover image:
Caldecotte Lake,
Milton Keynes

This report was produced by British Property Federation (BPF) and the Local Government Association (LGA).

About the British Property Federation

The British Property Federation (BPF) represents the commercial real estate sector. It promotes the interests of those with a stake in the UK built environment, and its membership comprises a broad range of owners, managers and developers of real estate as well as those who support them. Their investments help drive the UK's economic success, provide essential infrastructure, and create great places where people can live, work and relax. Visit **www.bpf.org.uk**

About the Local Government Association

The Local Government Association (LGA) is the national voice of local government. We work with councils to support, promote and improve local government. We aim to influence and set the political agenda on the issues that matter to councils so they are able to deliver local solutions to national problems. Visit **www.local.gov.uk**

OUR KNOWLEDGE AND ADVICE ON NATIONAL POLICY IS HELPING THE UK REAL ESTATE SECTOR GROW AND THRIVE

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British Property Federation
St Albans House
5th Floor, 57-59 Haymarket
London
SW1Y 4QX

T 020 7828 0111

info@bpf.org.uk
www.bpf.org.uk