Report of the Director of Places and Director of Policy and Resources

Decision to be take after: 21 April 2016

NORTH LINCOLNSHIRE COUNCIL

ASSETS, CULTURE AND HOUSING CABINET MEMBER

PROPERTY INVESTMENT STRATEGY

1. OBJECT AND KEY POINTS IN THIS REPORT

1.1 To set out the potential opportunities to generate additional revenues via an enhanced strategic approach to property investments and the options available towards securing these.

1.2 To consider the further work required, including the need to secure specialist advice.

2. BACKGROUND INFORMATION

2.1 The Council has long recognised the opportunities of making effective use of our land and property assets towards achieving both our financial and regeneration objectives. To these ends, an internal commercial property development mechanism was established in 1999, underpinned by the Property Trading Account (PTA). The scope of the PTA was expanded in 2013 to provide a wider property management role to include surplus general fund properties (including smallholdings). The intention was to better support achievement of our regeneration aims by way of managing our property assets in a pro-active and commercial way so as to safeguard existing revenue streams and generate additional revenue and capital funds for reinvestment in projects aimed at boosting economic activity in the area and to support the capital programme in general.

2.2 In the current financial climate, local authorities are increasingly exploring innovative ways of generating alternative sources of funding as a way of reducing the reliance on government grants and increases in council tax. An increasing number of local authorities are exploring property investment as a means of supporting and maintaining services.

2.3 Generally speaking, investing in commercial property presents a potential opportunity to generate greater yields than traditional financial investments such as equities and bonds. By way of a headline example, CIPFA suggest that rates of return on reserves are low (typically circa 1-2%). Contrast this with the gross blended rate of return from the Council’s existing commercial property portfolio, which is currently 8.5% (approx 6% net). However, the reality is that the Council has opted for a different investment strategy by opting to exhaust cash balances as opposed to borrowing to fund the capital programme. The current borrowing costs per year per £1m borrowed (including the cost of borrowing and the principal repayment) are estimated to be approximately 6.5%. Therefore, by using cash to fund the capital programme, the Council has avoided incurring additional financing costs of circa 6.5%.

2.4 Property represents a comparatively secure investment and returns remain good with the opportunity to benefit from capital growth as the momentum of economic recovery continues. Additional benefits of property investment are tangible ownership, the ability to influence regeneration etc, secure sustainable income and capital growth. Like any other investment, property carries inherent risks, including illiquidity and low flexibility, higher exposure to economic, cultural and technological change, local market supply and demand, structural issues and void's when the property temporarily becomes a liability pending re-letting. Accordingly, robust risk management and governance arrangements are essential.

2.5 The Council is already a major landowner with a significant portfolio of development sites (residential & commercial). This presents an opportunity as part of a new investment strategy, to make a departure from the traditional disposal route, towards directly financing and managing developments. By doing so, the freehold would be retained and the development leased to an occupier thereby generating an ongoing revenue stream. The Council has already successfully employed this method, with examples including; Hangar 11 at Humberside Airport, Plots 1&2 Hargreaves Way, Plot 25 Bloom Lane and various units on Billet Lane.

2.6 There are an increasing number of local authorities who have already successfully embarked on the acquisition of investment properties as a means to generate additional revenue. In a number of cases, they have used available cash reserves to fund their investments strategy. However, predominantly in these cases the authorities in question are not directly comparable with the circumstances affecting North Lincolnshire Council as they deliver relatively modest capital programmes compared to the scale of that we seek to achieve.

2.7 The Council has successfully pursued a policy of internal borrowing to fund the capital programme since 2008/09 based upon the use of internal cash balances as opposed to borrowing externally. This strategy has proven extremely successful in reducing capital financing costs. The avoided borrowing (interest) saving to the Council is estimated as worth approximately £2.3m at the end of 2014/15. In reality, the annual saving achieved is higher as paying the principal amount of the capital programme up front has avoided the need to make annual repayments of principal to a lender. Had the Council borrowed to fund the capital scheme since 2008/09, it would have needed to set aside an additional £2.8m in 2014/15 to repay the principal amount borrowed. The total saving in 2014/15 was therefore £5.1m.

2.8 As a result of the above, available cash balances are now effectively depleted and we are in a position where we would need to borrow to fund any further capital expenditure. As borrowing costs are estimated to be at least 6.5% per million per year (e.g. £65,000 per £1,000,000), the returns from additional investment in property development would need to substantially exceed 6.5% in order to offer a tangible return to the Council.

2.9 In the future it might be possible to use the business rates retention scheme from the Enterprise Zone (EZ) designations at the Able Marine Energy Park (AMEP) and Humberside Airport to fund capital investment. Once developed, these sites require the retention of a significant proportion of the annual business rates to be spent upon Humber LEP growth priorities within North Lincolnshire for a 25 year period up until 2038. This could include regeneration based investment proposals. The two EZ's in question are among the largest in the country. Securing the retention of these funds could provide the Council with a sizeable investment pot for future regeneration and investment.

2.10 As previously highlighted, the Council already operates a relatively innovative and successful mechanism for the generation of additional revenue income, in the form of the PTA. The PTA receives revenue from the existing commercial property portfolio together with general fund capital receipts for investment in appropriate schemes in accordance with the Council's priorities and the aims of the regeneration strategy. Currently, the approved PTA Rolling Plan assumes achieving an annual revenue surplus of income against expenditure of circa £2m that is transferred to the general fund and capital receipts in excess of £6.7m in 2016/17.

2.11 It is important to consider the property development aims of the Council and then choose a suitable delivery model in order to best achieve them. If the key aim of the Council is to increase revenue via rental income, the current PTA mechanism already allows for the acquisition of additional investment property in the area. This would avoid exposure to additional cost and risk such as tax leakage that might arise from the establishment of a property trading company. However, the scope of the use of the PTA is subject to restriction. Specialist advice is required to explore these issues more fully and to determine the best delivery model towards achieving our property investment objectives. There are a number of additional matters affecting the relationship between the Council and a trading company on which specialist advice is also required. These include; state aid, asset transfer arrangements, accounting practice etc.

2.12 As a pre cursor to developing the strategy, it is proposed to undertake a detailed review of the performance of the Council's existing property portfolio (composition, returns, voids etc), to identify the scope for generating further revenue. A detailed modelling of future estimates of LEP business rates retention is also required.

2.13 In terms of moving forward with an investment strategy, the following are suggested core principles:

- Recognition that in order to finance any future investments, the Council will need to borrow. This requires income generating investments to receive a margin well in excess of the associated cost of borrowing (at least until development on the Enterprise Zones start to deliver additional business rates income) to justify the activity and any associated additional risks.
- The need to create a well balanced portfolio of investments, mitigating risk through diversification into different property sectors (commercial, industrial, retail etc.)
- The retention of existing commercial investment properties and if necessary further investment to enhance rental income.

- The identification of opportunities for direct financing of developments on Council owned development sites.
- Investment in schemes which have potential to secure economic growth in North Lincolnshire.
- Development of clearly defined essential investment criteria, against which to assess all potential acquisitions. This will enable each proposed investment acquisition to be subject to a detailed business case which clearly articulates the returns vs risks.
- Robust governance arrangements to mitigate financial and reputational risk.

2.14 If the proposed core principles are supported, the next suggested step is to obtain specialist legal and financial advice to ensure that all actions taken to implement the investment strategy are vires. In particular clarity is needed on the requirement or otherwise to establish a property development company to deliver the investment strategy, including ensuring compliance with the requirements of the Localism Act 2011, relating to local authorities doing anything for a commercial purpose in the exercise of their general power of competence.

2.15 It is understood that the proposed source of funding for property investment also has an influence on this. If the Council has an existing source of funding such as reserves, or ring fenced capital receipts, there is no requirement for investment to be made via a company. Conversely, if the proposal necessitates increased borrowing, then this might require the establishment of an arms length company. As some local authorities have sought to deliver their investment strategies in-house whilst others have gone down the company route, further analysis of potentially available options is required.

3. OPTIONS FOR CONSIDERATION

3.1 The following options are suggested for consideration in taking forward the issues raised in this paper:

3.1.1 Undertake a strategic review of the PTA and the business rates retention scheme to identify the potential scope for further income generation and achievement of economic growth.

3.1.2 To seek specialist legal and financial advice to inform a decision on the best delivery mechanism for the Council to achieve our property investment objectives.

4. ANALYSIS OF OPTIONS

4.1 Specialist advice is required in respect of the potential alternative delivery vehicles available to the Council (self-delivery, property development company, joint venture etc). In turn this will enable the Council to fully consider the advantages and disadvantages of each option against the potential for delivering the strategy directly through further evolution of the existing PTA.

4.2 A number of potential options are likely to require further evaluation. Based upon research of approaches considered by other local authorities, these might include:

- Maintaining current arrangements
- Extension and development of the existing in house arrangements
- Establishing a wholly-owned and controlled arms length development company with transfer of asset ownership
- Establishing a wholly-owned and controlled arms length development company with retained asset ownership
- Establishing a wholly-owned, not controlled but influenced arms length development company with transfer of asset ownership
- Establishing a wholly-owned, not controlled but influenced arms length development company with retained asset ownership
- Public/Private Corporate Joint Venture with transfer of asset ownership to the JV

4.3 The issues to consider in assessing the advantages and disadvantages/risks associated with each of the above options are considerable. By way of example, a tabulated high level options summary and analysis is attached at Appendix 1 to this report based upon that undertaken on behalf of another local authority. This type of appraisal would require further development informed by specialist advice.

4.4 The suggested next steps are as follows:

- Funds – clarity on potential sources of capital available to invest is required to achieve additional revenue targets needed to maintain service delivery
- Assess the likelihood, amount and timescales for retained business rates to contribute to a funding proposal and ensure robust processes.
- Review the existing commercial property portfolio to measure performance and identify any potential opportunities to further increase income
- Obtain legal advice to ensure all proposals are vires
- Obtain specialist advice to fully analyse potential alternative delivery options, including further evolution of the PTA
- Development of investment criteria matrix against which to assess all potential acquisitions

5. RESOURCE IMPLICATIONS (FINANCIAL, STAFFING, PROPERTY, IT)

5.1 <u>Financial</u>

5.1.1 The purpose of this paper is to explore the opportunity to generate additional revenue via an enhanced strategic approach to property investments and the options available towards securing these. Currently, the approved PTA Rolling Plan includes achieving an annual revenue surplus of income against expenditure of circa £2m that is transferred to the general fund and capital receipts in excess of £6.7m in 2016/17.

5.1.2 The revenue budgets recently approved by the Council for the period 2016/20 include a target to increase the annual revenue surplus of income against expenditure transferrable to the general fund by £1m commencing in the 2017/18 financial year. At the same time capital receipts are required totalling £13.5m over the period 2016/20 in support of the approved general capital programme and a further £0.75m to fund PTA schemes.

5.1.3 This report seeks approval to undertake further work to evaluate the potential opportunities of establishing a property development company. This will require the appointment of specialist legal and financial advisors. An initial budget of around £25,000 is suggested to fund this essential work.

5.1.4 Establishing a property development company will have revenue implications, but also capital and treasury management implications depending on the option taken forward with regard to future financing of the activities of the company.

5.1.5 The Council is now in a position that it needs to borrow to fund any further capital investments. As set out in the Treasury Management Strategy, section 1 of the Local Government Act 2003 grants a Council the power to borrow; for any purposes relevant to its functions under any enactment, and also for the purposes of prudent management of its financial affairs provided it does not exceed its affordable borrowing limit.

5.1.6 The Local Government Act 2003 appears to restrict the ability of local authorities to borrow for the purposes of investing in properties located outside of their administrative boundary that are not directly linked to its functions. Instead, other Councils are relying on the additional powers granted to them under the Localism Act 2011 'General Power of Competence' (GPC), specifically to do anything that a private individual of full legal capacity may do giving authorities the power to take most reasonable actions which are *"for the benefit of the authority, its area or persons resident or present in its area".* This is to encourage new innovative business models. The Council needs to take its own legal advice prior to making any investment property decisions to give assurance over the legality of our property investment plans.

5.2 Staffing

5.2.1 Staffing implications are likely to arise depending upon future decisions regarding the best vehicle to achieve our property investment objectives.

5.3.1 Initially, an internal project team working with the support of specialist legal and financial advisors will take forward the necessary work arising from this report. The Assistant Director Planning and Regeneration will lead the work involved. It is proposed that the Property Developments Group act as the Project Board to oversee progress moving forward via regular project updates.

5.3 There are no other resource implications to highlight at this time.

6. OUTCOMES OF INTEGRATED IMPACT ASSESSMENT (IF APPLICABLE)

6.1 Not applicable.

7. OUTCOMES OF CONSULTATION AND CONFLICTS OF INTERESTS DECLARED

7.1 The Property Investments Group have considered this paper and agree with the way forward suggested.

8. RECOMMENDATIONS

8.1 To undertake a strategic review of the PTA to identify the potential scope for further income generation and achievement of economic growth.

8.2 To secure the specialist legal and financial advice required to inform a decision on the best delivery mechanism for the Council to achieve our property investment objectives.

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Background Papers used in the preparation of this report: None

APPENDIX 1

Summary of advantages & disadvantages of alternative delivery models

SELF DELIVERY UTILISING EXISTING TEAM RESOURCE AND TAILORING PTA TO DELIVER INVESTMENT STRATEGY

Advantages	Disadvantages/Risks
• Council maintain direction of and control over delivery – no conflicts of interest for participants above those which would ordinarily arise (e.g. Council as landowner and planning authority) • Substantial knowledge and experience of existing portfolio and local market • Flexible as allows Council to retain its full range of options in dealing with its assets (to include a future JV or framework) • Council perceived as investing in own workforce – morale builder • No separate vehicle, so no additional tax leakage between the development business and the Council. • No duplication of work/counter-productive work between Council staff and a separate entity • Council takes development rewards – after paying suppliers, net profit returns to Council. • Potentially cheaper to establish, given lack of separate corporate vehicle • Council has strong covenant strength to substantiate its dealings with third parties in relation to its assets • No state aid issues in bolstering up an arm's length company	• No separate entity to undertake development/investment, so risk of development budget and personnel being "swallowed" up by wider Council objectives • No new brand or perception of "new start" for Council asset development strategy • No risk transfer – Council retains development risks (but also rewards). Council may be perceived as directly undertaking more "speculative" developments (rather than through an arm's length entity or JV) • No or limited private sector innovation and expertise to enhance and realise asset value or provide additional funding/share cost (Council access to required funds may diminish over time) • Delivery potentially no quicker than currently achievable by the Council • EU procurement regulations apply to contracts awarded by Council

WHOLLY OWNED & CONTROLLED ARMS LENGTH DEVELOPMENT COMPANY WITH RETAINED ASSET OWNERSHIP

Advantages	Disadvantages/Risks
• Council can award contracts directly to the company free from procurement requirements (albeit company caught by EU regulations) provided Teckal tests met.	• Company limited in the amount of income which can be received from organisations that do not satisfy the "Teckal" test. Risk that Teckal status soon lost.

• Commercial/delivery risks will not be transferred down to the company, as the Council retains the relevant assets • Opportunity to develop new brand with separate vehicle – a clearer, more focussed remit for the development function, away from the other operational distractions of working within the Council. • A Council owned and controlled entity may have more potential to act as a wider public sector body development vehicle than an "in-house" operation, or non-wholly controlled entity, thereby opening up wider commercial trading opportunities. • No doubling up of resources required to affect transfer of assets. • As the Council would be the acquiring authority of CPO land, this would avoid mixed asset ownership. • More flexibility for the Council to retain the assets.	• Not intended to be used for commercial purposes. Should be akin to in-house provision. • Limited independence from Council, given Council control is key requirement of Teckal status. • Delivery potentially not much quicker than currently achievable by the Council if company is intended to be regulated in accordance with Council policies and procedures. • Company will be a contracting authority given Council ownership and control – procurement regulations apply to contracts awarded by the company. • Conflicts of interest can arise between Council and company – can be dealt with, but conflicts policies need strict enforcement to combat actual conflicts and perceived conflicts (e.g. elected Members and officers should be wary of sitting on both shareholder council and board of company, or exercising more than one role in relation to a given development (e.g. on behalf of the Council as landowner and planning authority). • Some tax leakage, partly dependant on choice of vehicle – specialist advice required • Will entity with no trading history have better reception from the market than the Council? The Council may be called upon to bolster company activity through guarantees (consider State Aid implications). • State Aid issues may arise on a transfer of assets to the company. • Consider council's in-house function – seek to avoid duplication of work /counter-productive work between Council staff and a separate entity – how will central charges be offset/claimed? • Would a back office agreement back to the Council be acceptable in the short, medium and long term? • No or limited private sector innovation and expertise to provide additional funding/share cost (Council access to required funds may diminish over time) • As the company will be acting as agent for the Council, the Council will in most cases be bound by the company's actions on its behalf • Commercial/delivery risks

WHOLLY OWNED & CONTROLLED ARMS LENGTH DEVELOPMENT COMPANY WITH TRANSFER OF ASSET OWNERSHIP

Advantages	Disadvantages/Risks
• Council can award contracts directly to the company free from procurement requirements (albeit company caught by EU regulations) provided Teckal tests met. • Council maintain direction of and control over delivery, although company can have separate management team dedicated to delivery of asset development programme. Council's strategic role could be co-coordinated through a "shareholder council". • However, notional shareholding insufficient to satisfy Teckal. • Risk transferred down to company, although Council may need to give guarantees or other financial support (especially in initial phase). • Opportunity to develop new brand with separate vehicle – a clearer, more focused remit for the development function, away from the other operational distractions of working within the Council. • A separate company can better promote the Council's assets for development through the local plan and planning process. • A Council owned and controlled entity may have more potential to act as a wider public sector body development vehicle than an "in-house" operation, or non-wholly controlled entity, thereby opening up wider commercial trading opportunities.	• Company limited in the amount of income which can be received from organisations that do not satisfy the "Teckal" test. Risk that Teckal status soon lost. • Not intended to be used for commercial purposes. Should be akin to in-house provision. • Limited independence from Council, given Council control is key requirement of Teckal status. • Delivery potentially not much quicker than currently achievable by the Council if company is intended to be regulated in accordance with Council policies and procedures. • Company will be a contracting authority given Council ownership and control – procurement regulations apply to contracts awarded by the company. • Conflicts of interest can arise between Council and company – can be dealt with, but conflicts policies need strict enforcement to combat actual conflicts and perceived conflicts (e.g. elected Members and officers should be wary of sitting on both shareholder council and board of company, or exercising more than one role in relation to a given development (e.g. on behalf of the Council as landowner and planning authority). • Resources required to effect transfer of assets. • As the Council would be the acquiring authority of CPO land, this would lead to mixed asset ownership. • Stamp Duty Land Tax (SDLT) liability on transfer of assets and some tax leakage, partly dependant on choice of vehicle – specialist advice required. • Will entity with no trading history have better reception from the market than the Council? The Council may be called upon to bolster company activity through guarantees (consider State Aid implications). • State Aid issues may arise on a transfer of assets to the company.

	• Consider council's in-house function – seek to avoid duplication of work /counter-productive work between Council staff and a separate entity – how will central charges be offset/claimed? • Would a back office agreement back to the Council be acceptable in the short, medium and long term? • No or limited private sector innovation and expertise to enhance and realise asset value or provide additional funding/share cost (Council access to required funds may diminish over time). • Transferring assets to the company commits the Council more than if assets are retained.

ESTABLISHING A WHOLLY OWNED, NOT CONTROLLED BUT INFLUENCED ARMS LENGTH DEVELOPMENT COMPANY WITH TRANSFER OF ASSET OWNERSHIP

Advantages	Disadvantages/Risks
• Company not limited in the amount of income which can be received from organisations that do not satisfy the "Teckal" test. • More freedom and flexibility from Council decision making. • Delivery should be quicker than the options above and commitment of assets (depending on how committed) may offer greater freedom from Council control. • Opportunity to develop new brand with separate vehicle – more potential to act as a wider public sector body development vehicle than an "in-house" operation per Option 1. • Risk transferred down to company, although Council may need to give guarantees or other financial support (especially in initial phase) leading to State Aid risks – see section 3 above. • Opportunity to develop new brand with separate vehicle – a clearer, more focussed remit for the development function, away from the other operational distractions of working within the Council. • A separate company can better promote the Council's assets for development through the local plan and planning process. • A Council owned but not controlled entity may have more potential to act as a wider public sector body development vehicle than an "in-	• Separate vehicle gives rise to potential tax leakage at company Level. • Council has less day to day control – greater potential for disputes to arise between Council and company over direction and control of business. • Council cannot award contracts directly to company free from procurement requirements – company in competition with other potential suppliers. Less partnership with the Council. • Company still likely to be a contracting authority unless established for purely commercial purposes. • Conflicts of interest can arise between Council and company – can be dealt with, but conflicts policies need strict enforcement to combat actual conflicts and perceived conflicts (e.g. elected Members and officers should be wary of sitting on both shareholder council and board of company, or exercising more than one role in relation to a given development (e.g. on behalf of the Council as landowner and planning authority). • Resources required to effect transfer of assets. • As the Council would be the acquiring authority of CPO land, this would lead to mixed asset ownership. • Will entity with no trading history have better reception from the market than the Council? The Council may be called upon to bolster company

house" operation as per Options 1 and 2.	activity through guarantees (consider State Aid risks). State Aid issues may arise on a transfer of assets to the company – see section 3 above. • Consider council's in-house function – avoid duplication of work/counter-productive work between Council staff and a separate entity – how will central charges be offset/claimed? A separate back office agreement may be less likely to be acceptable. • No or limited private sector innovation and expertise to enhance and realise asset value or provide additional funding/share cost (Council access to required funds may diminish over time). • Transferring assets to the company commits the Council more than retaining assets, and as the Council has limited (shareholder) control, less flexibility and more risky for the Council.

ESTABLISHING A WHOLLY OWNED, NOT CONTROLLED BUT INFLUENCED ARMS LENGTH DEVELOPMENT COMPANY WITH RETAINED ASSET OWNERSHIP

Advantages	Disadvantages/Risks
• Company not limited in the amount of income which can be received from organisations that do not satisfy the "Teckal" test. • More freedom and flexibility from Council decision making. • Opportunity to develop new brand with separate vehicle – more potential to act as a wider public sector body development vehicle than an "in-house" operation. • Risk transferred down to company, although Council may need to give guarantees or other financial support (especially in initial phase) leading to State Aid risks. • Opportunity to develop new brand with separate vehicle – a clearer, more focussed remit for the development function, away from the other operational distractions of working within the Council. • A Council owned but not controlled entity may have more potential to act as a wider public sector body development vehicle than an "in-house" operation • Commercial/delivery risks will not be transferred down to company, as the Council retains the relevant asset.	• Separate vehicle gives rise to potential tax leakage at company Level. • Council has less day to day control – greater potential for disputes to arise between Council and company over direction and control of business. • Council cannot award contracts directly to company free from procurement requirements – company in competition with other potential suppliers. Less partnership with the Council. • Company still likely to be a contracting authority unless established for purely commercial purposes. • Conflicts of interest can arise between Council and company – can be dealt with, but conflicts policies need strict enforcement to combat actual conflicts and perceived conflicts (e.g. elected Members and officers should be wary of sitting on both shareholder council and board of company, or exercising more than one role in relation to a given development (e.g. on behalf of the Council as landowner and planning authority). • Will entity with no trading history have better reception from the market than the Council? The Council may be called upon to bolster company activity through guarantees (consider State Aid risks). State Aid issues may arise on a transfer of

• No doubling up of resources required to affect transfer of assets. • As the Council would be the acquiring authority of CPO land, this would avoid mixed asset ownership. • More flexibility and less risky for the Council to retain control over the assets, particularly where it has limited (shareholder) control over the company.	assets to the company. • Consider council's in-house function – avoid duplication of work/counter-productive work between Council staff and a separate entity – how will central charges be offset/claimed? A separate back office agreement may be less likely to be acceptable. • No or limited private sector innovation and expertise to enhance and realise asset value or provide additional funding/share cost (Council access to required funds may diminish over time). • If the company is acting as agent for the Council in relation to Council developments, the Council will in most cases be bound by the company's actions on its behalf. • Commercial/delivery risks remain with the Council given it retains the relevant assets.

PUBLIC/PRIVATE CORPORATE JOINT VENTURE

Advantages	Disadvantages/Risks
• Potentially able to fulfill all of the Council's regeneration objectives • Delivery of holistic and comprehensive regeneration across a number of sites, including cross-subsidisation – less likely to be "cherry picking" of commercial sites for development rather than community sites. • Flexibility to retain the ability to include additional development sites, without the need for a separate procurement. • Establishment of a partnership where profit can be reinvested in future, more challenging projects. • Transfer of some development costs and risks to the private sector and sharing of costs with private sector. • Council benefits directly from private sector experience and expertise to enhance and realise asset value. • Leverage of significant private sector investment • Council has control through participating directly in decision making and through the adoption of business plans agreed with the	• EU procurement implications. Selection of JV partner and any associated award of contracts to JV and/or partner subject to single EU procurement procedure. • Establishment and operation are resource intensive. Not securing the agreement of the Council to proceed and high start-up costs to establish the JV that will be abortive if the Council decides not to proceed/deadlock arises. • Potential conflict between the Council as a 50% JV partner, the statutory objectives of the local planning authority and any future changes in political priority. Also conflict of interest between elected Members / Officers and their role on the JV Board. • Potential market saturation with demand outstripping supply of suitable JV partners - not being able to secure the right JV partner following procurement (market testing helps) • Council to retain in-house function and consider offsetting of its central charges. Duplication of work /counter-productive work between Council staff and JV staff? • Council capacity to match the capacity of JV partner to serve on the JV Board and make decisions.

Council at the outset. • Council will take a share of the profit. • Council has control and influence over the terms of the contractual documentation. • Incentivises the PSP to deliver over the long term. • A 50/50 partnership that allows the Council to "deadlock" unacceptable private sector proposals. • Business opportunities for the JV (as a separate entity) to competitively tender for regeneration and property development projects/opportunities in Cheshire East and beyond its boundaries. • A separate company can better promote the Council's assets for development through the local plan and planning process.	• Requires defined development pipeline to maximise success and investment opportunities - may not achieve best value due to property market and funding market. • Separate vehicle gives rise to potential tax leakage at JV level. • State Aid risks to be mitigated.