

Meeting of the Cabinet – 13 June 2007

Delivering the Masterplan for Dudley town centre

Appendix B – A summary of the findings of the Navigant report

Delivery Approaches

The report states that there are a wide variety of delivery options open to the Council to achieve its objectives. In considering the most appropriate delivery approach for Dudley, it is important to understand the local circumstances and tailor the delivery solution to meet local challenges.

The King Sturge Financial Services report recommends a Property Regeneration Partnership delivery approach. The majority of Property Regeneration Partnership-type experience to date lies with Regional Development Agencies and English Partnerships, who have entered into similar corporate ventures, on larger, long-term deals. These are relatively costly and time consuming to establish but capture value through a long term business proposition.

To date the preferred approach for Councils to proceed in delivering masterplan proposals is through establishment of Joint Venture delivery mechanisms which have included some approaches where 'strategic development partners' have been secured (e.g. Solihull, Rotherham). The strategic development partner route allows multiple development sites to be delivered and for cross funding to flow from profitable sites to less profitable sites.

Navigant initial analysis suggests that the Property Regeneration Partnership approach would not be able to provide the value for money that a more conventional contractual Joint Venture approach could deliver, and that a conventional Joint Venture might be a more appropriate approach for delivery of the Dudley Area Development Framework.

Navigant recommends that if a contractual Joint Venture is proposed the Council should consider establishing operating arrangements that can be provided at arms-length from the Council's normal business. The Council should also consider adoption of a procurement approach which minimises the risk of debilitating and protracted negotiations before a partner is signed-up. Navigant is confident that these objectives can be achieved through the contractual Joint Venture approach.

Conclusions and Next Steps

The Navigant report concludes that:

- in respect of the projects to be delivered in Dudley, the Property Regeneration Partnership delivery route is 'expensive' compared with a conventional Council-led Joint Venture approach;

- the Property Regeneration Partnership route can secure financial and personnel resources but there are numerous other delivery models which can achieve the same aims. Whatever the model, the Council will need to invest significant resource in setting up the briefs for the sites, procuring the partners, negotiating the deal and addressing statutory processes;
- the Property Regeneration Partnership model reduces the Council's exposure to risk, but it still exposes the Council's assets to some risk, alongside the private sector capital;
- given the challenges for Dudley, Navigant concludes that a more traditional contractual Joint Venture approach may be more appropriate than the Property Regeneration Partnership route. Under the Joint Venture route the Council's responsibility would be to develop development briefs for the sites, procure the partner(s), run the CPO process as necessary and act as landowning client. Rather than selling land outright, the Council could retain an investment in the developed assets through retaining a long leasehold interest in the developments;
- to address site cross-funding issues, the appointed development partner may act across a number of sites. Also there may be one 'consortium approach' to deliver across the retail-led sites and the residential-led sites, or alternatively two strategic partners, one for each strategic role. Public realm improvement can be from one or both of the partners under a separate design and build or construction management role with funding from the project partners;
- it is important that the Council procures the skills and resources to run the process of delivering the Area Development Framework and that the Area Development Framework delivery team can operate at arms-length to the Council. Navigant recommends that a limited company is established under the Council, with a business plan, which procures a small executive team to run the projects. It recommends a Board of no more than 6 directors appointed by the Council, but with the requisite balance of skills to oversee property development and place-making;
- Navigant recommends that the Council quickly secures the resources to establish the team, alongside developing the business plan for the arms-length organisation