

News

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Blog: New powers or not, councils can drive forward development



By Adrian Turner
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For many local authorities, the challenges they face today are arguably greater than ever before. With central government funding set to disappear by 2020, authorities are being forced to look at new ways to fund front line services and meet their many other obligations, including building much needed new homes – with some now suggesting that in the region of one million new homes will be required by 2020.

As they face this challenge, they are increasingly looking for new and innovative ways to achieve their ambitions while managing squeezed budgets.

It was in this context that over the summer the Government announced draft regulations for New Town Development Corporations, which – with ministerial approval – can be established by local authorities. These locally controlled bodies will partner with developers to secure planning, arranging private investment and oversee the creation of new towns or urban extensions, with each expected to deliver thousands of new homes.

It is hoped that the model will make a significant contribution to a local authority's housing targets and it is good for councils to have the flexibility to use this tool. However, it may not work for all and given the challenges faced by all councils, they will no doubt need to continue consider other approaches to delivering development that demonstrate the same scale and ambition.

There is a range of models already available and many local authorities are already playing an active role in meeting housing targets via direct development of sites, disposals and the establishment of arms-length development companies. However, some of these approaches have their drawbacks. The Public Accounts Committee most recent annual report highlighted that many public sector organisations have been too quick to sell off land to generate short-term cash. The committee raised concerns that some organisations were sacrificing long-term control of assets to plug gaps in day-to-day budgets.

Partnerships that make the difference

In this context, many councils are taking an increasingly sophisticated stance and looking for more than a capital receipt for their land. Many are demanding a greater share of the reward and in return are prepared to shoulder more risk. At the same

time, they are looking to retain more control, so they can directly influence the pace, scale and quality of what is developed.

At Morgan Sindall Investments, we have formed a number of long-term, strategic joint ventures with local authorities to achieve this balance. Each has seen the creation of a 50:50 joint development company with a programme spanning 20 years or more, with profits shared between the partners. Each covers a portfolio of sites and can deliver a range of developments as well as community buildings, in line with local needs and ambitions.

Since 2011, we have formed a £0.5bn joint venture with Bournemouth Borough Council, a £1bn programme with Slough Borough Council, and this April signed a £2bn partnership with Herts Living Limited, a company owned by Hertfordshire County Council.

By aligning the interests of the council and the partner over the long-term, these partnerships can focus on real outcomes and meaningful regeneration that benefits communities, rather than short-term goals. Trust is therefore essential. Councils must trust the partnership with their land, while we must have confidence in the venture to invest and commit for the long term – this mutual process binds us together.

The specific objectives of each partnership are different, but what they share in common is a desire to deliver development at scale and at pace.

Each partner brings a different skillset. Morgan Sindall brings access to wide ranging development and investment expertise, while the council brings a strategic perspective on local needs and unparalleled understanding of the community – an invaluable part of the equation.

This means that through our partnership with Slough Borough Council – Slough Urban Renewal – for example, we are fulfilling the council's ambition of setting a new benchmark for the civic, leisure, sport and education facilities in the town centre. As well as building homes, the partnership has been delivering assets as diverse as a 1,950-person capacity community sports stadium, an £18m leisure centre, a number of school extensions and The Curve, an iconic new library, museum, performance venue and cultural centre.

Unique communities, unique needs

This is not to say that our approach will be right for every local authority. What's important is that councils focus on the outcomes that they want to achieve and select the right development model to do that. For many though, the property JV will be a useful tool in the box.

In a time of constrained budgets and increasing demand for homes and services, the councils that we work with see value in a model that can return cash to them and allow them to continue reinvesting in regeneration. These are challenging times, but through collaboration and partnership we can still deliver more for our communities.

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