

Bolton Council

Report to:	Cabinet		
Date of meeting:	6 th March 2020		
Report of:	Director of Place	Report number:	
Contact officer:	Jas Hundal Interim Assistant Director Economic Development & Regeneration	Telephone number	1017
Report title:	Blackhorse Street Intervention Area and Joint Venture Development Company proposals		
Not confidential This report does not contain information which warrants its consideration in the absence of the press or members of the public.			
Purpose:	To note the proposals for the Council to establish a joint venture to deliver further town centre regeneration.		
Recommendations:	The Executive Cabinet Member is recommended to: <ol style="list-style-type: none"> 1. Note the proposals set out in this report for the Council and authorise officers to proceed in accordance with these proposals. 2. The Director of Corporate Resources to carry out all necessary due diligence and other formalities. 3. The Borough Solicitor to complete the necessary legal formalities. 		
Decision:			
Background documents:	None		
Signed:	Leader/Executive Cabinet Member	Monitoring Officer	
Date:			

Consultation with other officers		
Finance	Yes	David Shepherd
Legal	Yes	Michelle Harris
HR	No	N/A
Equality Impact Assessment required?	No	
(a) Pre-consultation reports Is there a need to consult on the proposals?		No
(b) Post consultation reports Please confirm that the consultation response has been taken into consideration in making the recommendations.		No
Vision outcomes Please identify the appropriate Vision outcome(s) that this report relates or contributes to by putting a cross in the relevant box.	1. Start Well	X
	2.Live Well	X
	3.Age Well	X
	4.Prosporous	X
	5. Clean and Green	X
	6.Strong and Distinctive	X

1. **INTRODUCTION & BACKGROUND**

- 1.1. The Cabinet is aware that a comprehensive Bolton Town Centre Regeneration Plan containing proposals to redevelop the town centre up to 2030 and beyond, was approved by Bolton Council's Cabinet on 25 September 2017. The aim of the Regeneration Plan is to renew the Town Centre, make it a vibrant and great place to live and work, as well as increase economic prosperity and social well-being of communities in Bolton.
- 1.2. The Council subsequently approved borrowing £100 million to kick-start the Regeneration Plan. This funding is being used to address a range of priorities including site assembly, getting sites 'development ready', and undertaking public realm and infrastructure works to help facilitate private sector investment in the renewal of the town.
- 1.3. The regeneration of the Town Centre has already started with developments like the £27 million Market Place refurbishment, the £48 million Transport Interchange and the £11 million Octagon Theatre rebuild project. Nevertheless, in approving the plan, the Council believed that more change was needed to make the Town Centre fit for the future, and further work was needed to drive the plan forward as rapidly as possible.
- 1.4. The plan is ambitious, bold and diverse and aspirational. This has attracted a lot of interest amongst developers and investors who are committed to partner with the Council to help deliver the Regeneration Plan. The developments that have already secured planning approval or are expected to obtain approval in the first half of 2020.
- 1.5. Since the launch of the Regeneration Plan in 2017, great progress has been made in its implementation. Development options have been agreed with a few development partners to deliver high quality regeneration projects in the Borough.
- 1.6. Some of the current proposals include:
 - Victoria Square / Crompton Place
 - Trinity Gateway
 - Le Mans Hotel
 - Church Wharf
 - Central Street

- 1.7. These initial key regeneration projects will act as a catalyst to the remainder of the Regeneration Plan. However, until these projects are funded and construction work has started, there is always a danger that the impetus could stall, in which case implementing the whole regeneration plan, within a reasonable timeframe, would become much more difficult.
- 1.8. Moving forward, even when initial key projects are under construction, it will be important to signal to potential early occupiers of these new developments that Bolton's regeneration programme will not stop once these projects have been delivered.
- 1.9. The best way to re-assure early investors and occupiers that Bolton is on a longer-term regeneration journey is to announce plans for continued development beyond the completion of the projects referred to above, thereby stimulating a second wave of regeneration in Bolton Town Centre
- 1.10. This will re-emphasise the aspirational nature of the Regeneration Plan, by recognising that more developments need to be brought forward to create a sustainable, diverse and resilient economy with prospects of growth, the creation of well-paid jobs in the 21st century and the provision of quality housing to meet changing demographic needs.

2. **ISSUES**

- 2.1. To fully achieve the aims of the Regeneration Plan, the Borough needs to be at the heart of the digital economy and become a centre of innovation for existing and new businesses to flourish. An investment in digital platforms and technologies is central to business transformations, new products and the attraction of higher value services for businesses.
- 2.2. Embracing innovation and digital technologies is the best way for Bolton to stay competitive, expand, and achieve better outcomes for citizens through a multitude of interconnected solutions. Digital cities are the cornerstones of innovation to harness resources and capabilities and are dedicated to turning ideas into successful ventures.
- 2.3. Digital cities can be defined as transformation of urban areas through the use of superfast, well connected, interactive technologies which provide both information and transactional services for the benefit of businesses and citizens. Digital Cities provide innovation and make it possible to process a huge amount of information in order to develop new services to enable businesses to grow in the 21st century, with sustainable technologies, development of new forms of logistics, mobility and renewable energy sources

- 2.4. This paper sets out the intention to consider establishing a sixth intervention area within the Town Centre to address the issues associated with continual need to embrace innovation and provide business with super-fast digital connectivity.
- 2.5. Given the scale of the challenge, regenerating this new intervention area will likely only be achieved by working in partnership with one or more commercial development partners, with a proven track record in delivering large-scale, sustainable regeneration schemes, providing digital infrastructure and establishing leading centres and preferred locations for global technology leaders at the forefront of innovative digital technologies - many of whom will want to develop close links to nearby Universities.

3. MAIN BODY OF THE REPORT

- 3.1. There are five key intervention areas referenced within the Regeneration Plan, those being Crompton Place, Church Wharf, Cheadle Square, Central Street and Trinity Quarter.
- 3.2. It is proposed that the area outlined in red on the plan attached at Appendix 1 is referred to as the “Blackhorse Street Intervention Area”, and becomes the Town Centre’s sixth intervention area - with the aim of transforming this area into a super-connected “Digital City” development area.
- 3.3. It is suggested that the creation of a Joint Venture (JV) partnership, could be the most appropriate means of regenerating the area, since it would enable the Council to retain a greater degree of control in the delivery of development in and around Blackhorse Street and would also enable the Council to share in any development profits. A brief summary of the advantages and disadvantages of pursuing a JV approach is provided in Appendix 2.

What is a Joint Venture (“JV”)

- 3.4. The term joint venture can describe a range of different commercial arrangements between two or more separate entities. Each party contributes resources to the venture and a new business is created in which the parties collaborate together and share the risks and benefits associated with the venture. A party may provide land, capital, intellectual property, experienced staff, equipment or any other form of asset. Each generally has an expertise or need which is central to the development and success of the new business which they decide to create together. It is also vital that the parties have a ‘shared vision’ about the objectives for the JV.
- 3.5. A JV involves risk sharing; it is suitable where a jointly owned and managed business offers the best structure for the management and mitigation of risk and realisation of benefits whether they involve asset exploitation, improved public sector services or revenue generation. It should not be seen as a delivery model in which the public

sector seeks to transfer risk to the private sector through the creation of an arm's length relationship.

When is a JV appropriate?

- 3.6. The main reason for considering JVs is to mobilise complementary resource (e.g. Local Authority regeneration, planning and compulsory power capabilities with private sector development, construction, building management and investment expertise). The JV enables the complementary resources of the public and private sector parties to be integrated, so creating a wholly new business not otherwise achievable. It also enables the development to be undertaken in a wholly commercial basis and for the Council to share in any commercial returns that may be realised as a result of the development activity.

What types of JV is most suitable and how will the JV be established?

- 3.7. Several types of JV are available for the Council to use for the delivery of regeneration programmes, including. Companies limited by shares, Limited Partnerships and Limited Liability Partnerships.
- 3.8. If this paper is approved, Council Officers would explore the various possible JV options, before seeking Cabinet approval to proceed with an open and transparent procurement process aimed at establishing the JV partnership. This will involve the following steps:

Initial Planning

- 3.9. It is essential that the Council undertakes an initial analysis to assess whether the JV proposition has a sound business or service delivery rationale that is commercially viable and likely to offer the best value for money to the public sector.
- 3.10. This analysis will consider, amongst other things, the Council's legal powers to enter in to such arrangements, the funding that would be made available to the JV from the Council and the proposed governance regime for the JV.

Option Appraisal

- 3.11. Following the Initial Planning phase, legal, commercial and financial advisors will need to be appointed to assist with consideration of value for money issues and the completion of an options appraisal and feasibility study. The proposals will only proceed to the next phase if the outcome of this work is that a JV is the most suitable delivery model for Blackhorse Street.

Business case and detailed planning

- 3.12. The Council will develop a business case, setting out the position with regards to the ownership, control and financial treatment of the JV, tangible assets, staff and other resource issues; initial and ongoing funding of the JV, fees and charges and tax considerations; and legal structuring and documentation for the JV.
- 3.13. On the assumption that the work completed at this stage is supportive of the proposals to establish a joint venture, a report will be presented to Cabinet. This report will summarise the main elements of the business plan, describe the procurement process, seek approval of the business plan and seek authority initiate an open and transparent procurement process to identify a private sector partner.

Issues for early consideration

- 3.14. As part of the Initial Planning and Option Phases, the Major Developments Team will consider the following issues:
- Business scope and benefits which the JV is expected to deliver and potential risks;
 - Exit arrangements and consideration of any associated public service delivery implications;
 - Legal powers to enter a JV entity for the desired purpose;
 - Reputation risk;
 - Control and delegation issues; and
 - Possible competition, procurement law, State Aid and other statutory implications.
 - Value for money and other appraisal considerations
 - Ownership, control and financial reporting
 - Assets and resources

- Funding, fees, charges and tax
- The structure of the JV equity
- Selection of the private sector partner

3.15. Each of these issues will be detailed within the business plan that is to be developed as part of the process and which will be presented to the Cabinet, prior to initiating a procurement process aimed at selecting a suitable JV partner, or partners.

Land Assembly

3.28 For the past six months, the Council has been engaged in discussions with major property owners in the Blackhorse St Intervention Area via our appointed agents, Colliers International. In particular, the Morrisons and Casino/Bingo sites represent key land and property interests within the Intervention Area and their cooperation will be needed to facilitate regeneration of this area.

3.29 To this end, the Council have engaged professional advisors (Colliers International) to provide support and make recommendations to guide the land assembly process. Once greater detail is known a further report will be prepared for presentation to the Executive Cabinet Member, Deputy Leaders Portfolio, explaining how these sites can best be acquired and redeveloped by the JV.

3.30 It is also accepted that the Newport Street frontage (from Section St to Trinity Way) provides is an important frontage to the Transport Interchange, for the proposed Digital City development. The likelihood is that the JV will also want to acquire properties on Newport Street for subsequent demolition. If these acquisitions cannot be achieved by private treaty then, as a last resort, the Council may wish to consider using its' CPO powers to acquire the property on behalf of the JV. Again, a further report will be prepared to request authority to acquire these properties and, if necessary, use of the Council's CPO powers to achieve this outcome.

3.31 The Council currently own some assets within the extent of the site, such as Blackhorse St car park. It is proposed that all interests owned by the Council at the date of this report, or acquired by the Council pursuant to a later authority, and lying within the proposed Intervention Area will be included within the initiative and used as a contribution in to the proposed commercial JV partnership. All such contributions will be independently valued, and the market value reflected in the Councils % share of the JV.

4. OPTIONS

4.1. There are three options available to the Cabinet;

4.1.1. Option 1 - Do nothing

4.1.2. Option 2 - Create a Blackhorse Street Intervention Area and consider ways in which this can be regenerated by establishing a commercial JV

partnership between the Council and a suitable development partner, or partners.

- 4.1.3. Option 3 - Ask officers to consider an alternative way to achieve the regeneration of the area outlined in Appendix 1.
- 4.2. If Cabinet believes there is merit in regenerating the Blackhorse Street Intervention Area to create a Bolton Digital City, do nothing isn't an option.
- 4.3. In the absence of any suitable alternative proposals, the a JV partnership is the best way to achieve regeneration on a commercial basis, within a realistic timeframe, in compliance with public procurement regulations and best value considerations.
- 4.4. Cabinet are therefore asked to support Option 2.

5. CONCLUSIONS

- 5.1. Designating a sixth Blackhorse Street Intervention Area and authorising officers to investigate various, commercial JV partnership options is the most appropriate way to regenerate the area in question and, in the process, transform create a Digital City at the heart of Bolton's Town Centre.
- 5.2. In terms of financial implications from the recommendations, these are limited to the cost of officer time, since no major additional costs will be incurred until approval is given to start the land assembly and procurement exercise, aimed at consolidating the site and selecting a suitable JV partner/s.
- 5.3. Once the procurement exercise has been completed, a subsequent report will be presented to Cabinet on company structure, shareholders capital and recommended JV partner/s.

6. IMPACTS AND IMPLICATIONS:

Financial

- 6.1 The cost of investigating suitable joint venture structures and determining the most appropriate procurement process can be met from within the existing Town Centre Strategy budget.
- 6.2 Future investment in any commercial joint venture partnership would be dependent on further consideration of the feasibility and value for money of the preferred option and the content of the associated business plan.

Legal

- 6.3 There are no legal issues at this stage and, since the general power of competence introduced by the Localism Act 2011 provides the Council with the ability to establish

a JV, there is no impediment to considering whether a JV partnership is the best way to proceed. Likewise, when it comes to selecting a JV partner, Council Officers would ensure that this selection process is compliant with the Public Contracts Regulations 2015.

7. EIA

- 7.1. At this stage it is not anticipated that the proposals will have a disproportionate impact on any of Bolton's diversity groups.

8. CONSULTATION

- 8.1. Wider consultation is not required to enable Cabinet to determine whether they should approve the recommendation included within this paper.

9. VISION 2030

- 9.1. The Bolton 2030 Vision is summarised as follows:

"Bolton will be a vibrant place, built on strong cohesive communities, successful businesses and healthy residents".

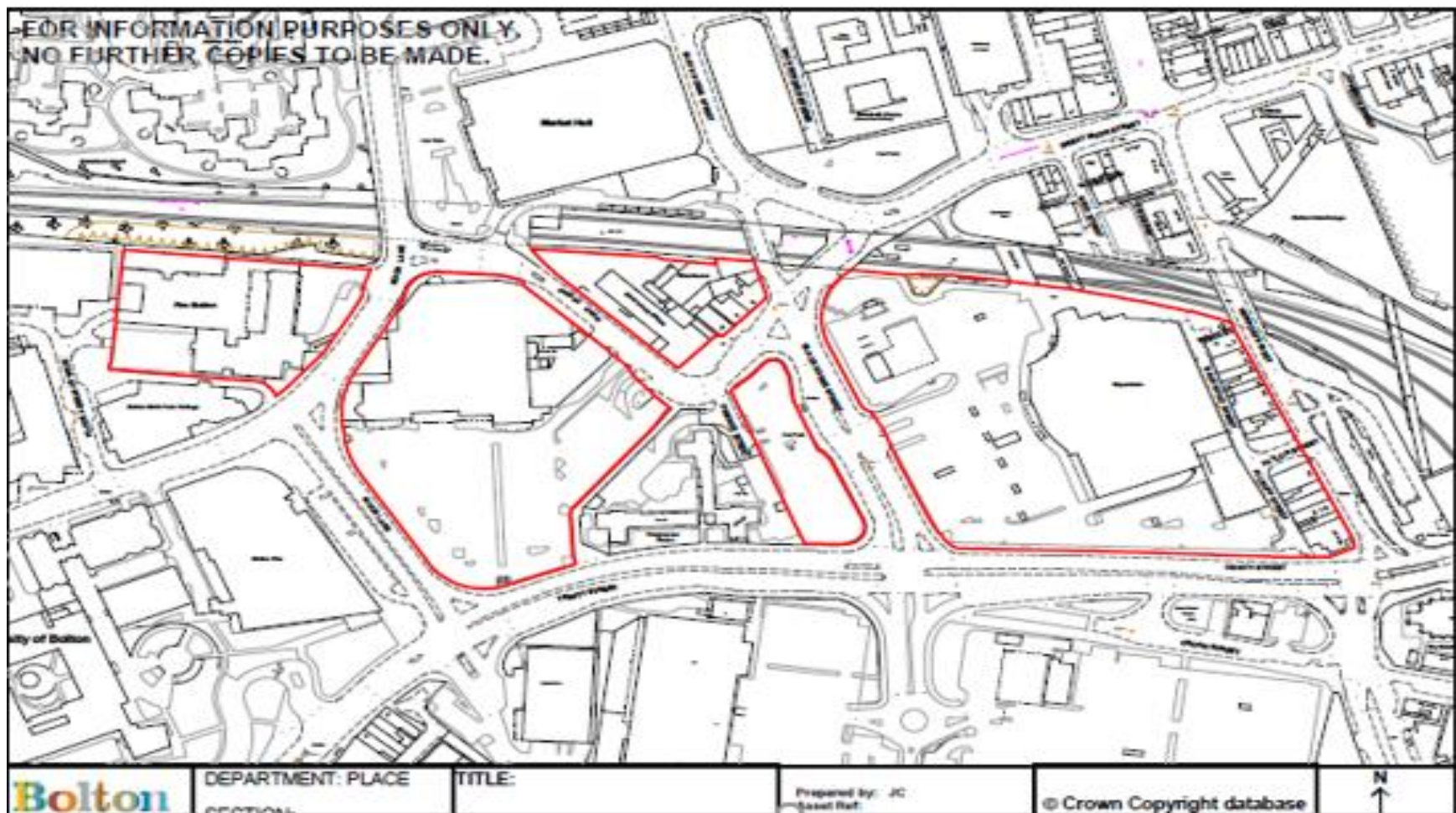
- 9.2 The work to establish a JV to deliver a Digital City will put the Borough at the heart of the digital economy and help to create a centre of innovation for existing and new businesses to flourish. An investment in digital platforms and technologies is central to business transformations, new products and the attraction of higher value services for businesses.
- 9.3 As a result, many opportunities will be created for local sub-contractors in the construction sector and many training and apprenticeship opportunities for local people.

10. RECOMMENDATIONS

The Cabinet is recommended to

1. Note the proposals set out in this report for the Council and authorise officers to proceed in accordance with these proposals.
2. Authorise the Director of Corporate Resources to carry out all necessary due diligence and other formalities.
3. Authorise the Borough Solicitor to complete the necessary legal agreements

Appendix 1 – Plan for the Blackhorse Street Intervention Area



Appendix 2 – JV Delivery Option

Advantages and Disadvantages of a JV Partnership

Delivery Route Option	Brief Description	Advantages	Disadvantages
Joint venture partnership	<p>Council enters into a joint venture vehicle with the private sector partner to take forward the delivery (scale required so bring in more than one development site).</p> <p>Council will transfer its land into the vehicle and the value of the land is matched by the private sector partner.</p> <p>Board established which is responsible for overseeing the activities of the vehicle, according to a business plan.</p> <p>Decision-making is typically 50/50 “deadlocked” meaning that neither party can force a decision without the consent of the other.</p>	<ol style="list-style-type: none"> 1. Council can control phasing, quality and pace of delivery of any scheme. 2. Collaborative arrangements may give the Council control over things that change over the life of the scheme. 3. If delivery is to be phased, receipts from “early wins” can be ring fenced to cross-subsidise more difficult elements of the scheme, thus avoiding the need to further public sector cash injections. 4. Because the Council owns 50% of the vehicle, it has potential to receive 50% of the development profits from the scheme 5. Off-balance sheet for Council 6. Vehicle can leverage senior debt 7. Ring-fenced liability 8. Council retain ownership of 50% of the land 	<ol style="list-style-type: none"> 1. Developer would need to be formally procured in accordance with the Regulations. See notes below. 2. Unlikely to yield an early capital receipt. 3. As the Council owns 50% of the vehicle, it is exposed to 50% of the overall development risk. 4. Difficult to unravel if there is a dispute 5. Expensive to procure and administer once established and generally there is a requirement for certain scale of development in order to merit the costs of establishment. Received wisdom is that it is not worth establishing an LABV unless the delivery pipeline is around 10 years or more. 6. Less well understood in the market and at present only a limited number of developers are familiar with and have appetite for JV models. 7. Can have tax inefficiencies when land transferred into the vehicle.