

# THE TERRIER

THE JOURNAL OF ACES - THE ASSOCIATION OF CHIEF ESTATES SURVEYORS & PROPERTY MANAGERS IN THE PUBLIC SECTOR

VOLUME 21 - ISSUE 3 - AUTUMN 2016



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For further information contact:

**James Leaver**

+44 20 7861 1133

[james.leaver@knightfrank.com](mailto:james.leaver@knightfrank.com)

**Alastair Paul** (Rural Consultancy)

+44 1279 213 170

[alastair.paul@knightfrank.com](mailto:alastair.paul@knightfrank.com)

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## EDITORIAL

Betty Albon

Welcome to the Summer Terrier.

Firstly, ACES members have certainly put in a good performance this time: not only by submitting 5 branch reports, but also writing a fair proportion of full articles. If you see 2 of the main advantages of being an ACES member as networking and achieving CPD, then look no further. There is so much valuable work being done at branch level, and through the range of practical experience that we are involved in at our workplaces. Well done for making the effort to share it. And for those Terrier readers who are not yet members, please join our focussed organisation – you won't get better value for money.

Two articles have been written by firms who advertise with ACES. Your support, and that of all ACES' advertisers, enables me to produce the quarterly Terrier – even better when you supply material. So thank you.

I'm afraid one of my weaknesses is evident by this issue's front cover. Cushman and Wakefield is working with Historic England to implement a methodology to bring back into use those wonderful Victorian mills, which so often have been left vacant, but which may have a viable future if public and private sectors work together.

We have 3 light-hearted pieces, for those of you who immediately turn to the back pages. There's nothing like mixing humour with serious professional work.

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Cover photo: Dalton Mills, Keighley, Bradford [Photo kindly provided by Historic England].



## NOTES OF ACES NATIONAL COUNCIL MEETING 19 AUGUST 2016

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Keith Jewsbury, ACES Secretary

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17 members attended the meeting that was held at the Carrs Lane Conference Centre, Birmingham

### ***President's report***

The President, Jeremy Pilgrim, reported that he had visited the South West, Heart of England and North East Branches since the last Council Meeting and intended to visit all the other branches before the end of his year of office. He had been warmly welcomed at all the meetings and has encouraged all members to attend and support the branch network.

Neil McManus of Suffolk County Council had been appointed as the Junior Vice President.

### ***Secretary's report***

The Secretary reported on matters arising during the period from the 29 April Council Meeting and in particular, that he and the Treasurer had collected most of the outstanding annual subscription payments and that he had visited both the Scottish and Welsh Branches in line with his commitment to visit all branches.

He also confirmed that he had ordered and received 500 ACES pens, as approved by the April Council, for use at the ACES Conference and future CPD meetings.

### ***Financial matters***

The Treasurer reported on the finances of the Association and in particular for the 12 months to 30 June 2016 and stated that a surplus of £28,163 had been generated, as against a forecast of £710. This had been achieved by savings in expenditure and increased income. Full details to be reported to the AGM in November.

Council approved the Treasurer's recommendation that in line with changes in the Financial Services Compensation Scheme, any monies over £75,000 banked at Barclays Bank be transferred to an alternative bank account not associated with Barclay's.

It was also agreed that the AGM be recommended that there be no increase in the subscription fees for 2016/17.

### ***Annual Conference 2016***

The President reported on progress with the organisation of the conference, to be held at The Kia Oval on the 29/30 September 2016.

The conference theme will be "Powerhouses and Smart Cities" and the programme and booking form had been circulated to all members with an invitation letter from the President.

Unfortunately, the Mayor of London

cannot attend in person but will produce a video speech of welcome.

He was in discussions with sponsors and trade stand companies and estimated a good response. The trade stands to be erected at the rear of the conference room. He was also to contact printers with regard to the printing of the conference pack.

The delegate numbers were poor so far but he expected them to pick up as members returned to work following their annual leave, and encouraged all members and staff to attend.

### ***Review of the Terrier advertising***

After some discussion led by the President, it was agreed that the Junior Vice President, Neil McManus, lead a working group to review the future advertising potential, marketing, circulation and name of The Terrier and associated topics.

### ***The future of COPROP***

Malcolm Williams reported on a meeting held with a representative of COPROP and the information received regarding membership, funds and possible incorporation. It was agreed that a letter be sent to COPROP setting out the position of ACES and the proposed terms of a proposed "merger".

## Website

The Secretary reported that the website is being well used and that 17 Forum entries had appeared since the last Council meeting; also 8 job adverts had appeared since the introduction of the JobPage.

## ACES Award for Excellence 2016

In the absence of the Senior Vice President, Daniella Barrow, the Secretary reported that the invitation letter, further information and a

nomination form had been sent to all members and that an application had already been received.

## Constitution and rules – Working Group

A long and full discussion was held regarding the future membership criteria and names to represent member status, following the member consultation exercise. The agreed Council proposals will form a report to the AGM in November seeking membership approval to the proposed changes.

2016 Award that will be sent out to all members shortly.

### NOTE FOR YOUR DIARIES:

ACES Annual Meeting, 18 November 2016, Riverbank House, London.

## Future meetings

Annual Conference	29/30 September 2016	London
Annual Meeting	18 November 2016	Riverbank House, London
Annual Conference	September 2017	Leeds
Annual Meeting	17 November 2017	City Hall, Cardiff

# MEMBERSHIP

Keith Jewsbury

I list below the changes in membership between 16 June and 30 September.

### New members approved

There were 13 new applications approved during the period.

Alan	Phelan	NPS Humber Ltd
Ruth	Rutter	Leeds City Council
Yogesh	Makwana	Cambridgeshire Fire & Rescue Services
Andrew	Ward	Mole Valley District Council
Alan	Richards	Southend-on-Sea Borough Council
Josephine	Palmer	Place Partnership Limited
Katie	Walters	Gedling Borough Council
Chris	Bandy	Essex County Council
Lisa	Emerson	Merthyr Tydfil Borough Council
Rachel	Howes	Place Partnership Limited
Anne	Collins	Watford Council
Andrew	Heard	Mole Valley District Council
Hugo	Mallaby	Cambridgeshire County Council

### Transfer from full to past membership

2 members transferred to past membership during the period.

Michael	Forster
Alex	Fitzgerald

### Resignations

8 members resigned during the period.

Graham	Creasey
Geoff	Clark
Mike	Clark
Steve	Sladdin
Adrian	Daniell
Christine	Morton
Graham	Tully
Chris	Bruhn

I also have to report the death, in September, of Edward "Eddie" Turner, Past President of ACES 1992/93 and ex-Manchester City Council [Ed – see obituary in this edition of Terrier].

### Total membership

Full	224
Additional	77
Honorary	30
Past	49
Total	380

# OBITUARY – EDWARD “EDDIE” TURNER

21 May 1945 – 14 September 2016



It is with much regret that we have to report the untimely death of Edward “Eddie” Turner at the age of 71 after, sadly, a long period of illness. He leaves a wife Ruth, 2 children, Eloise and Helen, and 4 grandchildren. Eddie and Ruth met at Manchester City Council.

Although Eddie worked firstly for a short while for a private company, virtually all his professional career was in local government in the Greater Manchester area. Commencing as a Valuer at Manchester City Estates and Valuation Department in 1967, he then joined Salford City Council and then Trafford Borough Council as Head of Estates, following local government reorganisation in 1974. He achieved his long held ambition to return to Manchester City Council in the early 1990s as Director of Land and Property.

Eddie was active in the Association of Greater Manchester Estates Surveyors in the mid-1970s and this organisation, along with a similar group on Merseyside, would later form the basis of the ALAVES North West branch formed in 1979, one of the most innovative and active of all the branches at national level. In fact, since 1983 all but one of the Honorary Secretaries and Consultant Secretaries at national level have been from the North West branch. Eddie occupied that position from 1987 until 1991, when he stepped down to join the presidential team, becoming President in 1992. Before that he joined ALAVES in 1975, was branch secretary between 1979 and 1982 and later became branch chairman in 1984. While this all shows an admirable commitment to the Association, it is nothing compared to what he actually achieved professionally at a national level during that time.

He was influential in the appointment of the first paid LAVA secretary, a decision which would have an immense impact on the standing of the Association, even up to the present day. He was far-sighted in that he knew we needed to engage properly with our elected members to better enable them to fully recognise the importance of the property resource in local government. To this end, he organised a series of extremely successful seminars for elected members but unfortunately, was unable to convince the executive committee to extend this innovation to

inviting them to the Association’s spring and Presidential meetings. He was also a forceful advocate of the concept of a single property-owning committee, something which most authorities still don’t espouse to.

His approach to the CCT challenge in the 1980s was also innovative, devising simple administrative systems which formed the basis of accurately costing jobs. He also single-handedly transformed the finances of Manchester City Council’s capital programme.

Eddie was involved in the unsuccessful 2000 Manchester Olympic bid and the successful Commonwealth Games bid, which provided sporting facilities such as the velodrome which has enabled our current Olympic cycling team champions to train and achieve medals in subsequent years.

Eddie was a truly principled professional and a family man who will be sadly missed by his friends, colleagues and family alike. Eddie was a man to whom ACES owes a significant debt of gratitude.

The chapel was packed with former colleagues and friends on 28 September, including representation from ACES. It was a real celebration of his life. Ruth and family would like to thank members and past members of ACES for their messages of condolence.

# VALUATION

Michael Forster FRICS, FAAV, RICS Registered Valuer

*Michael is Senior Assistant Estates Surveyor, Estates, at Lancashire County Council, and ACES Coordinator for Valuation.*

This paper was written for ACES Council, 19 August.

Since the last report there have been several items in the valuation arena which may be of interest to members and which I summarise below.

## **Proposed changes in Local Government Transparency Code 2015**

A consultation document was circulated to authorities on 12 May 2016 regarding proposed changes in the Code, with a closing date of 8 July. Applying only in England, it covers amendments to publishing details of land and property assets, procurement, contracts and some other services, including a new requirement for data on car parking charges and enforcement.

All Transparency data will need to be transferred to e-Pims via Cabinet Office. One of the drivers for this initiative is to increase the supply of land for housing, which, if successful, may result in fluctuations in market value for housing land, particularly if viewed in conjunction with the existing initiative to release brownfield sites for housing (73 Councils to pilot brownfield registers).

## **Local plan issues**

A CLG Committee expressed disappointment that 17% of authorities had not yet published local plans and 44% had not adopted them. The new NPPF is designed to work side by side with local plans, again with a view to releasing more brownfield sites for development.

These issues are inextricably linked to the valuation of sites with development potential.

## **Valuation of tenanted portfolios**

CIPFA has recently carried out a form of consultation through the AMP Network titled "Asset challenge of the tenanted portfolio". Part of this exercise raises the old chestnut of what assets should be classified as Investment Property or Property, Plant, and Equipment, with the associated differences in valuation methodology.

There is a strong recommendation to review such assets formally with finance colleagues and elected members and re-categorise as necessary. Investment Property is defined as assets "held solely to earn rentals or for capital appreciation or both". There is also a detailed proposal for the methodology of carrying out the asset challenge, including various outcome and performance measures.

## **The Housing and Planning Act 2016**

This legislation received Royal Assent on 12 May 2016, with a phased introduction of the various sections. This is a comprehensive piece of legislation covering a host of housing and planning requirements.

Areas of particular interest to members include [s8-Public Authority Land](#):

- Engagement with public authorities (PAs) in relation to proposals to dispose of land
- Duty of PAs to prepare report of surplus land holdings
- Powers to direct bodies to dispose of land
- Reports on improving efficiency and sustainability of buildings

owned by PAs and in military estates

- Engagement with PAs in relation to proposals to dispose of land – requirement for Ministers of the Crown and PAs, in developing proposals for the disposal of an interest in any land to engage on an ongoing basis with other relevant PAs
- Duty of PAs to prepare report of surplus land holdings
- Power of Secretary of State to direct bodies to dispose of land – amends s98 of LGPL Act 1980.

[s7 Compulsory Purchase](#): The Act seeks to improve the compulsory purchase regime, so it is clearer, fairer and faster. Its provisions include:

- Power of entry for survey or valuation purposes
- Requirement of Secretary of State to publish timetables for confirmation of CPOs
- Permitting confirming authority to appoint an inspector to confirm CPOs in defined circumstances
- Clarifying time limit for exercising CPO powers where Notice to Treat followed
- Clarifying when General Vesting Deed (GVD) must be executed and changes to notice requirements for GVDs
- Numerous other amendments to GVD, Notice to Treat, Notice of Entry and Notice to Take Possession provisions
- Requests for advance payments

- Dispute resolution mechanisms
- New powers to override easements and restrictive covenants
- Mechanisms for payment of compensation where rights are overridden.

[Ed – see full article on CPO and compensation update in this Terrier].

## **RICS**

RICS changes to office measurement are mandatory from 1 January 2016 – International Property Measurement Standards (IPMS) are to be used for office measurements. The only exception is if there is a client request to use the old basis (free conversion tool on RICS website). For asset valuations, it is unlikely for changes to have to be made midstream. An issue has been identified of having to reconcile comparables using the old and new methods. The DVS is using the old method for the 2017 Revaluation. Residential properties are to follow.

New RICS guidance is available on leasehold reform which outlines the enfranchisement process and worked examples. Also available is Rights of Light (2nd edition), updated caselaw and best practice. Also published recently is Health and Safety for Residential Property Managers and Service Charge Residential Management Code (3rd edition).

A new initiative recently introduced by the RICS at the RICS Cross-Border Valuation Conference in Brussels was the RenoValue training package. This is a capacity-building project for valuers on factoring sustainable considerations into future daily valuation practice, a project funded by the EU. An e-learning course is available on the RICSOnline Academy. The contact is [uhartenberger@rics.org](mailto:uhartenberger@rics.org).

## **Recent cases**

An interesting planning appeal case relates to a former MoD site in Parkhurst Road, London Borough of Islington and illustrates current considerations and policy issues in

determining development viability in terms of percentage of affordable housing requirements [Ed – see 2016 Summer Terrier].

Another published case concerning mixed residential/commercial property is Artist Court Collective Ltd. v Khan 2015 which illustrates the potentially drastic consequences of breaching the Landlord and Tenant Act 1987Act, in terms of failure to serve required notices on residential tenants [Ed – see full article in this edition of Terrier].

## **Improving international valuation standards**

A new credential for business valuers in the USA has potential international implications. This is due to the recognised fact that investors and creditors will use a company's financial statements to evaluate its performance and assess the profitability and safety of their investments. Valuation methodology is facing increased scrutiny due to quality issues and a lack of consistency and reliability in valuation results and products. The US Securities and Exchange Commission (SEC) has issued a series of criticisms over failings in this area. In response, the RICS has been working with the various accountancy and valuation bodies and firms to develop a shared credential for the business valuation, known as the Fair Value Quality Initiative. This includes 3 main components: performance framework, qualifications and quality control.

It is hoped that the new initiative will be adopted to improve valuation standards in the US and elsewhere (see article in RICS Journal by Steve Choi).

## **ACES North West**

As part of this year's branch initiatives, an asset valuation workshop took place on 26 May which was well attended by local members and staff. It included a review of the new IFRS13 requirements and some worked examples of school valuations. In this respect, there was some debate about the correct approach to valuing a modern equivalent asset for a large secondary school or academy particularly with

regard to the playing field area requirement for such institutions, and the practicality of locating such large areas in urban environments. Further discussion and clarification on this point would be appreciated by members [Ed – see article on DRC in this Terrier. Additionally, the Editor is aware that the RICS Public Sector Working Group has recently established a short-life working party to identify areas where guidance to valuers on DRC valuations might be improved. It is due to complete its work within 12 months].

## **Crichel Down Rules**

Revised guidance from DCLG is now available on the government website: (<https://www.gov.uk>).

## **Infrastructure Asset valuations**

Local authority transport infrastructure assets are currently valued at historic cost but CIPFA has amended the valuation requirements. CIPFA has kindly supplied the following:

The CIPFA Code of Practice on Local Authority Accounting 2016/2017 has for the first time required that the Highway Network Asset be brought onto local authority balance sheets at value rather than historical cost, with effect from 1 April 2016. The valuation is a cost based approach (DRC) and there are toolkits freely available to enable the valuation calculations to be undertaken by local authority highway engineers.

To support the implementation of this change in accounting practice, CIPFA has recently published 3 documents:

- Code of Practice on the Highways Network Asset (2016 Edition)
- Code of Practice on the Highways Network Asset: Guidance Notes (2016 Edition)
- Accounting for the Highways Network Asset



# HOUSING

Rachel Kneale

*Rachel is Estates & Valuation Manager, Housing & Regeneration, at West Lancashire Borough Council, and ACES Coordinator for Housing.*

This paper was written for ACES Council, 19 August.

## **Post Brexit housing market**

There has been conflicting evidence of the general housing market post Brexit. A survey by the removals firm Bishop's Move found 13% of those involved, either as a vendor or as a buyer, had pulled out of a sale as a result of the referendum. However, conversely up to half the people involved in a deal are seeking to up the speed of completion prior to Article 50 being served.

The fact remains that there is a shortage of residential properties in the areas in which they are needed and, while the Halifax house price index showed a fall of 1% in July, the Halifax counselled against this being regarded as a trend, as monthly numbers can be 'erratic' and 'falls often occur within an upward trend'.

With this in mind, local authority surveyors may wish to turn to the RICS document: VPGA9 'Valuation in Markets Susceptible to Change' when they value their housing assets.

Another document worth a read is the RICS Survey for June 2016 [http://www.rics.org/Global/6\\_WEB\\_%20June\\_2016\\_RICS\\_UK\\_Residential\\_Market\\_Survey\\_ri.pdf](http://www.rics.org/Global/6_WEB_%20June_2016_RICS_UK_Residential_Market_Survey_ri.pdf)

## **Pay to Stay**

The 'Pay to Stay' issue continues to cause concern.

Councils and arm's-length management organisations are calling on ministers to delay the introduction of 'Pay to Stay' to avoid a 'tight' timetable, after the government failed to publish regulations before the parliamentary recess. Local authorities were

expecting draft regulations on 'Pay to Stay' to be published before the end of the parliamentary term. However, the regulations, which need to go before both houses of parliament, are not now expected until September at the earliest, when parliament returns. This has caused concern that without draft regulations to work with over the summer, local authority landlords may struggle to implement 'Pay to Stay' – under which higher-earning tenants pay up to market rent – from April 2017, as intended.

The National Federation of Arm's-Length Management Organisations (ALMOs) and the Association of Retained Council Housing (ARCH) are lobbying the government to delay the implementation of the policy. Councils need to come up with a method of identifying higher earners, to develop a system of communicating with HM Revenue & Customs about income changes, and to devise an appeals process for tenants. John Bibby, chief executive of ARCH, said a lot of the organisation's members think the April 2017 deadline for implementing 'Pay to Stay' is "very tight" and if regulations are published in September it would cause "real difficulties in terms of implementation". He added: "We've already asked our members if they could provide evidence of what their concerns are so we can feed that into the Department for Communities and Local Government." Eamon McGoldrick, managing director of the National Federation of ALMOs, said: "We are looking forward to presenting to civil servants on why Pay to Stay in some geographical areas should potentially be excluded, and delaying the implementation date to enable local authorities to give them further time."

Philip Glanville, cabinet member for housing at Hackney Council, said the policy should be pushed back to 2018. Regulations governing the sale of high-value council homes to fund the Right to Buy extension to housing association tenants were also not published before the recess as expected.

## **Starter homes**

Similarly, for starter homes the government has yet to issue the final technical guidance which will ultimately underpin how the scheme will work in practice. This means that this government policy objective is a little up in the air. Planning authorities are applying their usual affordable housing planning criteria in the meantime.

## **Self-build: a question**

From 1 April 2016, all local authorities have had to operate a register of local residents who want to buy a plot of land and build their own homes. It was indicated by government that 1 in 2 of the population wanted to do this. It would be really interesting to know what uptake there has been and ACES is probably best placed to obtain this information, now that the scheme has been running for 6 months.

# CORPORATE ASSET MANAGEMENT

Barbara Vernon BSc (Hons) MRICS

*Barbara is Senior Estates Surveyor, Property Services, at Carlisle City Council, and ACES Coordinator for Corporate Asset Management.*

This paper was written for ACES Council, 19 August.

## **Brexit**

Understandably, there has been much focus on the vote by the UK on 23 June to leave the EU. This has led to uncertainty in the property market, with all sectors feeling the initial impact of the decision. However, it appears that the post-Brexit 'doom and gloom' forecasts have not come to fruition. Several weeks later, it seems that the general consensus of opinion is that Brexit has started a period of political and economic instability from a solid platform, that core real estate assets should hold their value, and that recession is unnecessary and avoidable with the Bank of England recently confirming that Britain is not set to fall into recession. Time will tell...

[Ed - see RICS EU Referendum article in this Terrier]

## **Land Registry privatisation plans on hold**

The government's consultation on the privatisation of the Land Registry, which closed in May 2016, has attracted some high profile opposition from

the former Chief Land Registrar, the Open Data Institute and more than 300,000 members of the public putting their names to a petition. The privatisation, due to take place in 2017, is part of wider plans to raise £5bn from government asset sales. While the competition watchdog raised monopoly fears, significant issues were also raised in the House of Commons, following which it was confirmed that concerns had been heard and the government would decide how to proceed 'later in the year'. The main concerns raised related to continuing impartiality and integrity, and reliability of the register following privatisation. The Land Registry employs more than 4,500 civil servants.

## **Proposed changes to the Local Government Transparency Code 2015**

Government is proposing changes to the Transparency Code 2015 requiring all local authorities to record details of their land on e-PIMS rather than local authority websites. LAs would need to fill out an excel spreadsheet which could be uploaded to the e-PIMS

system, in an attempt to ensure that a more strategic approach is taken to how public land can best be used and to enable closer collaboration with central government and the wider public sector. The consultation on the proposed changes has now closed and responses are being considered.

## **Outsourcing**

The value of outsourcing contracts across local government rose by 84% in the first half of 2016, against the same period last year, with deals signed worth nearly £685m. This is thought to reflect the ongoing pressure on local authorities to adapt, innovate and transform.

## **The Terrier**

The Terrier is published quarterly by ACES. The inclusion of any individual article in the Terrier should not be taken as any indication that ACES approves of or agrees with the contents of the article.

**ACES Secretary:** Keith Jewsbury FRICS  
8 Coolidge Avenue  
Lancaster, LA1 5EH  
01524 745643  
secretary@aces.org.uk  
kjewsbury@talktalk.net

**ACES Editor:**  
Betty Albon FRICS  
editor@aces.org.uk  
bettyalbon@gmail.com



# CREATING VALUE FROM REAL ESTATE

Public Sector Property

Image: Arlesey, Central Bedfordshire

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**Rick Lawrence**

Director - Property Partnerships  
+44 (0)20 7796 5630

[rick.lawrence@telerealtrillium.com](mailto:rick.lawrence@telerealtrillium.com)

**Paul Disley-Tindell**

Director - Corporate Real Estate  
+44 (0)20 7796 5587

[pdt@telerealtrillium.com](mailto:pdt@telerealtrillium.com)

#### About Telereal Trillium

Telereal Trillium is one of the UK's largest property companies; operating in property partnerships, investments and developments. We have an established UK-wide estate of more than 8,000 properties, owning and managing an 86 million sq ft, £6 billion estate, and housing 1% of the UK's workforce. We have an enviable customer base of private companies, local authorities and central government departments.



I'm pleased to report that our government updates are continuing, through Colin, in his new role. He provides an outline of government actions, so readers may follow up those relevant to their work.

## 2016 GOVERNMENT ANNOUNCEMENTS – A SELECTION

Colin Wright

*Colin has recently joined Concertus Design & Property Consultants as Associate Director of Estates. Based in Ipswich and with a focus on the eastern region, his new role provides support and advice to the public sector on all estates matters.*

*Colin started his career as a graduate working in private sector consultancy with firms including Bidwells and Drivers Jonas, followed by roles at local authorities in the East of England, where he grew up. He went on to work at the Department for Communities and Local Government (DCLG) in London, providing specialist property advice across policy development, regeneration and strategic asset management. [colin.wright@concertus.co.uk](mailto:colin.wright@concertus.co.uk)*

### Colin's new role

This is the first time I have written for The Terrier since leaving DCLG and the world of central government, and moving (or should that be descending?) into the world of consultancy, albeit thankfully, still with a remit focussed on the public sector.

Despite this shift in perspective, I remain firmly of the view that understanding the potential impact of government policy changes and announcements is as vital as ever, to ensure that strategic approaches to managing the public estate align with both local and national objectives. Also, maybe old habits die hard, but I decided to revisit the subject of my previous Terrier articles, with this latest piece looking at a selection of government policy announcements. These predominately, and inevitably, come from DCLG, and have largely been made since the 2016 Budget and have been selected as of likely interest and/or relevance to local authority surveyors.

### What's new post-Budget 2016

The following selection of policy announcement and publications effectively represents a digest from the gov.uk website. In fact, I recommend

the site as a very accessible source of information on individual policy areas across the piece:

- Back in March, revised statutory guidance was published on the framework for the flexible use of capital receipts. This followed the Autumn 2015 Spending Review which gave local authorities the right to use capital receipts on the revenue costs of reform projects. The updated guidance and directions (see gov.uk website) provide details on the type of projects that qualify, and also set out the expected governance and transparency framework
- Also in March, DCLG published 'Guidance for local authorities disposing of land assets' in response to the Chancellor's Budget statement, that central government will work with local authorities to release surplus land, with the capacity for at least 160,000 homes. This document provides guidance to local authorities in the disposal of assets while detailing the government's supporting measures. The document can be found on gov.uk and there is also a link from the ACES website
- Updated in June, following first publication in March, DCLG and the Homes and Communities Agency (HCA) produced a prospectus on the support available to local areas that want to create new garden villages, towns and cities. It outlines the available, tailored government support and invites expressions of interest. The prospectus is divided into 2 parts, and while the deadline for submissions covering garden villages of between 1,500 and 10,000 homes has passed (31 July), the 2nd part invites expressions of interest on a rolling basis for new garden towns and cities of more than 10,000 homes
- Following the general election in May 2015, the extension of Right to Buy to include housing association properties was clearly set out in the government's vision for housing over the next 5 years. As it stands, this voluntary agreement between government and housing associations will give householders the chance to purchase their home with Right to Buy discounts. At present a pilot across 5 housing associations is helping to develop a national scheme. On 10 September a press release announced



that the first sales had been completed and since the launch of the pilots, nearly 800 applications had been submitted by tenants who want to own their own home. Under the deal reached with the sector, when the main scheme is rolled out, every home sold will be replaced nationally with an additional new property, increasing the overall supply of housing

- Recent guidance was published on 15 September on preparing and maintaining an investment strategy statement for the local government pension scheme; this will be of relevance to certain types of property investment
- A report was published on 16 July, bringing together a range of research and innovation indicators for each of the 39 Local Enterprise Partnership (LEP) areas in England. The report is useful in providing LEPs and their partners, such as local authorities, with detailed information to help support

their delivery of local economic strategies. The report, covered in 4 documents, can be found on the gov.uk website under BIS (Department for Business, Innovation and Skills, now replaced by Business, Energy and Industrial Strategy) publications

- Published by the Homes and Communities Agency on 21 September under 'Research and Analysis' (see also a separate press release), the 5th edition of the social housing regulator's Sector Risk Profile (SRP) sets out the main risks facing the social housing sector, and some of the actions which registered providers should be taking to manage them. This risk profile is intended to help boards have a better understanding in this increasingly complex and diverse sector
- A press release issued on 11 July provided an update on neighbourhood plans, stating that since 2013, all 200 plans that have progressed to referendum stage have


the use of planning conditions', ending on 2 November, although early Terrier readers might just catch it. The supporting documentation for these consultations remains on the gov.uk website and still makes for interesting reading.

Providing the editor is content with the sometimes varied, quality of my writing, I will continue to provide articles for The Terrier, broadening out into subjects which I hope will be of interest to ACES members, and using my cross-sector experience to consider how we can bring together both national and local policy, strategy and practical delivery [Ed – yes please Colin].

To find out more about specific government policy topics, the ACES/ DCLG working group is a good starting point. Alternatively, I remain happy to discuss any of the issues covered here (colin.wright@concertus.co.uk), or at least will try to point you in the direction of somebody in DCLG who can help.

been approved by voters, with nearly 340,000 votes cast. On average, 89% of people who have voted were in favour of proposed plans for their neighbourhoods. For more information, visit: [neighbourhoodplanning.org](http://neighbourhoodplanning.org)

Having covered a summary of selected announcements over the last 6 months, I have largely omitted consultations which have expired at the time of writing, such as Business Rates Retention (July – September) and 'Improving



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# THE EU REFERENDUM

Jeremy Blackburn

*Jeremy is responsible for RICS relationships in Whitehall and with the devolved administrations. His role focuses on the development of RICS policy positions for our key sectors, and on providing a RICS opinion on topical issues. He works with members to develop coherent and commercially relevant RICS policy, which guides government on how to achieve its public policy objectives.*

*Jeremy has been with RICS since 2011. He previously worked in civil service, trade associations, the National Trust and parliament. [jblackburn@rics.org](mailto:jblackburn@rics.org)*

Hot from attending the Conservative Party Conference, to see how emerging policies may affect our profession, Jeremy here outlines the RICS' EU referendum impact paper and post-Brexit trends.

## Background

Prior to the UK's EU membership referendum, RICS professionals had expressed concern at the impact that the uncertainty was having on the land, property and construction markets, and asked RICS to lay out clearer thinking on the topic.

Accordingly, and in line with our Royal Charter obligation to consider the public interest, RICS undertook an extensive programme of member engagement, research and assessment to develop an EU referendum impact paper. This paper considered the effect that the EU referendum lead-in had on occupation and investment decisions within the residential, construction, rural and commercial sectors.

RICS considered its own economic market surveys, a one-off member survey, and papers produced by major member firms including Savills, Carter Jonas and CBRE, as well as papers by major business organisations such as the Confederation of British Industry, and property organisations, major investment and corporate players (like Blackrock), and the evidence produced by both Leave and Remain campaigns.

The paper made no recommendations

on how to vote, but provided a critique of sector sentiment at a time when expert advice and commentaries were widespread, but flouted; and both In and Out campaigns making legitimate arguments that were being branded as scare-mongering.

This paper was launched in March 2016, and was well received by an audience of over 10 million readers; with both the [then] Housing Minister, Brandon Lewis MP, and the [then] Chancellor, George Osborne MP, making comments on the paper.

Since the paper described the 2 differential scenarios, it remains relevant in helping property professionals understand what the Leave vote means for property and how 'Brexit means Brexit' will work.

## Vote impact on the political arena

The referendum result caused significant political commotion, with the Prime Minister, David Cameron MP, resigning, and the subsequent Conservative leadership race being won by the 'soft Remainer', Theresa May MP. This meant a new Prime Minister (PM), a new government, a new set of priorities, and a never-seen-before Department for Exiting the EU and the return of a Department for International Trade.

Wider machinery of government changes saw the Department of Energy and Climate Change and Department for Business, Innovation & Skills

merged, with consequent fears over the downgrading of energy and climate change policy; while the skills agenda was set back just at the time that an industrial strategy was announced.

This commotion extended into the devolved nations, 2 of which voted to remain, particularly Scotland who returned a vote that was 62% in favour of retaining EU membership. The Scottish National Party minority government in Scotland is now trying to hold a 2nd independence referendum over the heads of UK Ministers negotiating the future Brexit deal, and Northern Ireland has major concerns over hard borders with the Republic of Ireland; borders that have not been seen since 1923, and could have significant, and negative, implications on the free movement of people.

## A new fiscal approach

The new PM announced her cabinet, with David Davis MP appointed Cabinet Secretary for Exiting the EU, and Philip Hammond MP appointed as Chancellor. With Mark Carney still Governor of the Bank of England, he and Mr Hammond placed great emphasis on reinforcing the UK economy. In August, the bank announced its biggest stimulus package since the 2008 financial crisis, including an interest rate revision, a new funding scheme through the banks, and purchasing of corporate debt.

Carney articulated the UK economy's resilience, but the bank's surveys suggested it would only narrowly avoid





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recession and potentially require further stimulus. The Federation of Master Builders even claimed, based on much-contested Office for National Statistics construction figures, that the sector was already in technical recession.

However, the impact of Brexit has not been as significant as expected, yet, and the UK economy has performed well (compared to others), and has certainly recovered from the 2008 crash. Nevertheless, overall growth levels have remained sluggish. Accordingly, Mr Hammond ditched the previous austerity and public spending targets, and suggested he would take the period up to the Autumn Statement to assess Brexit's impact on the economy and declare that, if required, he was ready to "reset" the government's economic policy as a means to respond to the slowdown.

The recent Conservative conference saw Ministers take the chance to name a ball-park date for triggering Article 50 and provide some detail on their high level priorities ahead of negotiations. This is useful and will aid stability in markets, particularly as several RICS members had spoken to me with concerns about Article 50 becoming a 'second but deeper sentiment hiatus' if it were done sharply.

RICS, like all property professionals and practitioners, eagerly anticipates the Autumn Statement.

### ***Vote impact on the sectors***

On a regular basis, RICS issues market surveys on key sectors to ascertain sentiment from the profession, garner market insight, and provide stakeholders with an indication of sector conditions. Immediately after the vote, RICS issued market surveys to members operating within the residential, commercial, and construction markets. Respondents to all recent surveys were understandably cautious, and the results indicated this sensitivity.

These results, however, were not entirely unexpected as national events, such as elections and referendums, typically unsettle markets. It is therefore no

surprise that the EU referendum, and result, was associated with a slowdown in activity in the shorter term.

What has becoming increasingly clear is that interpretation of evidence of impact is as politically polarised as the debate about the referendum itself, with each statement or publication that fits with either Remain or Leave being lauded or criticised from these positions.

Mixed results may well be an indication that the economy is waiting for the PM to trigger Article 50 and that while we wait for that, little has practically changed, and this waiting period can be characterised as a 'phoney war'. Meanwhile we can look at what's happened in the property sectors, in the 3 months since the referendum outcome.

#### Commercial

The UK commercial property market has seen a significant drop in confidence and investor demand following the Brexit vote, according to the Q2 2016 RICS UK Commercial Property Market Survey. Both the investment and occupier sides of the market have been affected by the change in sentiment and both rent and capital value expectations are now in negative territory.

Political and economic uncertainty in the aftermath of the referendum result has clearly dampened sentiment in the commercial property market, with the tone becoming visibly more cautious right across the UK – though most pronounced in London.

Nevertheless, following several years of strong capital value and rental gains, momentum had already appeared to be slowing. RICS considered whether or not the sharp deterioration in the survey data was a kneejerk reaction that would unwind as the result was digested, or the start of a more prolonged downturn. At this stage, it remains to be seen.

However, and very interestingly, since the surveys were published, anecdotal evidence from RICS professionals has suggested a more stable and

positive outlook. As an example, RICS professionals have advised that some of the commercial occupation contracts that included a "Brexit clause" have simply been re-written and are nearing completion – subject to market reappraisal.

While some investors and occupiers have taken an unsurprising pause for breath as the new business landscape emerges, there is still significant activity in the market and notable deals being done, many at pre-Brexit prices.

#### Residential

Our monthly Residential Market Surveys indicate a chronic shortage of housing across the UK. The long-standing, disparity between supply and demand is a major factor in increased house prices and rents.

There are 2 ways in which the referendum result might affect residential, firstly in terms of overall consumer confidence, economic activity and new instructions, and secondly – and more specifically – the development and sale of high-end expensive properties, if less international purchasers choose the UK to domicile. Predominantly though, as Lucian Cook of Savills put it, the drivers of UK housing remain very domestic – 'death, divorce and debt'.

The latest survey results show that confidence is starting to recover following the immediate reaction to the referendum, as the market experiences a slight upturn in August. House price rises have regained some momentum, sales are now holding steady after 4 successive monthly falls, and buyer enquiries and sales instructions continue to slip – but at a greatly reduced pace.

This reflects a continuation of a trend that started back in April, following the implementation of the tax surcharge on investment purchases. Anecdotal reports provided by contributors to the survey suggest both the tax change and the ongoing fall-out from the EU referendum are contributing to the current mood in the market. However, looking into the comments left by



members suggests conditions vary markedly between agents. A large portion of respondents note, after an initial wobble, activity has returned to normal, while others feel Brexit has only had a very modest or negligible impact (particularly across the north and midlands, as well as the devolved nations).

The PM announced a 'major house building campaign' in her first speech in Downing Street and that is a heartening recognition that while the drivers of the housing market remain domestic, there is a recognised need to build at much greater scale and across the tenures. The proposed Housing White Paper will be a valuable launch pad for new thinking and perhaps – as the PM has indicated – a much greater role for the government in direct commissioning and building [Ed – see article about the RICS National Housing taskforce in this edition of Terrier].

### Construction

The pace of increase in workloads in the construction market continues to slow, according to our latest UK Construction Market Survey, extending a trend that goes back to the middle of last year. Workload growth moderated in Q2 across all sectors as EU uncertainty delays investment. In this sector, private commercial and industrial sectors have seen the most significant slowdown. Workloads and employment are projected to continue growing but more slowly than previously anticipated.

Significantly, for the 2nd successive quarter, the biggest constraint on output according to respondents was finance, with more than two-thirds of contributors highlighting this as the principal challenge.

Despite the slowdown in activity in Q2, skills shortages remain a problem, with the lack of appropriately skilled labour being indicated as a constraint on growth.

Our latest results suggest that the 2nd quarter of the year saw a further moderation in the growth trend which is not altogether surprising, given the build-up to the EU referendum.

Encouragingly, the swift actions of the Bank of England in creating additional capacity for the banking sector to provide funding to meet demand should help alleviate some of this pressure. Nevertheless, anecdotal evidence does indicate that the challenge for the UK government in establishing a new relationship with the EU could see some investment plans in the construction sector scaled back.

The decision for a proper and comprehensive industrial strategy has been long awaited. It's a very welcome signal of intent, ready to intervene and reinforce strategic sectors, like steel. While this must include fresh thinking around innovation and skills, policies announced before the referendum, such as increasing capital allowances and regional enterprise zones, should be maintained.

### Land

Demand for rural land - across both commercial and mixed-use farmland - has fallen by 4% in the past 6 months and prices are expected to fall, according to the latest survey from RICS and the Royal Agricultural University.

Anecdotal evidence from respondents suggests that several factors are combining to dampen sentiment in the market (coming off what was a very high point) which includes increased uncertainty due to the EU Referendum, subsequent confusion over the future of CAP payments and low commodity prices.

Although uncertainty is weighing on the market currently, RICS professionals' comments suggest that, over the longer term, farmland is still seen as a safe asset and desirable to investors with rollover money continuing to underpin demand. In addition, the fall in sterling should prove beneficial to agricultural exporters and farmlands' safe haven status will continue to attract long-term investors, particularly for prime holdings.

EU subsidies play a role in propping up the profitability of many UK farmers and landowners, and this has highlighted the impact that

uncertainty surrounding CAP-related payments has had on the market. The Chancellor's announcement that the Common Agricultural Policy (CAP Pillar 1) will be upheld until 2020, and agri-environment schemes agreed before the Autumn Statement will be protected, will be welcomed. The government's 2 or 3-year safety net was announced after our survey was closed, and, it remains to be seen how the rural land market will perform in light of these medium term measures.

However, we are looking at a wholesale revision of the British agricultural and environmental policy system, which needs to be debated and agreed ahead of 2020. This is a big challenge for the rural organisations and Andrea Leadsom, newly appointed as Secretary of State for Defra. Polarisation between farming and nature bodies is already very apparent. What we can say at this stage is that our members are not convinced that a post-Brexit government would match the level of CAP subsidy as it stands, with some geographical difference i.e. the English Uplands.

Conservative-led governments have committed to making UK farming more globally competitive and lowering its dependence on CAP. Given the importance of the rural vote to this party, it was always likely that some form of transitional arrangement – and future scheme – would be put in place, but it would not be to the scale or same priorities as the existing CAP in the UK.

### ***What, where or who next?***

The Conservative Party Conference in early October in Birmingham was the first real opportunity for the PM to outline how the government intends to approach negotiating the UK's exit from the EU. She has already used a Cabinet away-day at Chequers to signal strongly that one of her 'red lines' is control of immigration and therefore no free movement of people, with the implication being potentially truncated access to the single market.

Later in the year we expect a green paper from David Davis'

department outlining the approach to Brexit negotiations, followed by the Chancellor's Autumn Statement, expected in late November, which will not only cover the aforementioned 'fiscal rest' to deal with the Brexit impact, but will also have its usual round of announcements on spending, taxation and investment, with implications for land, property and construction. Similarly, we will get Mr Hammond's first Budget in March 2017 and Liam Fox will be continuing to kick start international trade deals.

Teresa May has said that she would trigger Article 50 'before the end of March 2017' – but this year also sees a rolling series of elections across key EU countries – Dutch parliamentary elections, French presidential elections and German federal elections – all of which will complicate and further politicise the prospects of a UK Brexit deal.

2019 sees the European Parliament elections and it would be ideal, but very tight, to have completed negotiations by then. Given the potential for a new body with the power of veto over Britain's exit terms, this amplifies the calls from parts of the Conservative Party to leave early and simply sever ties.

The view on what Brexit means is very different in Edinburgh, Cardiff and Belfast. The PM has said that the Union is a priority for her and that devolved governments will be involved in formulating positions ahead of negotiation – but Scotland, Wales and Northern Ireland (NI) will not have a veto over the terms of Brexit. The Republic of Ireland will also be an important player in this, given the importance of the free movement area and its historical and political significance between UK, Eire and NI.

Ultimately the mission statement for Teresa May's government is that it must make an efficient process of 'Brexit means Brexit', secure a balanced deal with the EU which includes access to the single market, ensure that the deal is enough to keep Scotland in the UK, maintain the free movement area with Eire, mitigate any impacts to the UK economy and put us competitively onto global markets, while returning us to an upward growth trend in at least the medium term.

There are some challenging times ahead.

Two useful links to RICS documents are:  
<http://www.rics.org/uk/footer/brexit/> and  
<http://www.rics.org/Global/21406-RICS-BREXIT%20Policy%20Paper-WEB.pdf>

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Contact the ACES Secretary, Keith Jewsbury, at [secretary@aces.org](mailto:secretary@aces.org) for further information.





Lewis draws ACES members' attention to the role of RICS in the National Housing Taskforce, in particular, the area of public sector land in helping to meet housing targets.

# THE NATIONAL HOUSING TASKFORCE: DEVELOPING SOLUTIONS TO THE HOUSING CRISIS



Lewis Johnston

*As Parliamentary Affairs Manager within the External Affairs team, Lewis is responsible for coordinating RICS interactions with parliament, the political parties and government departments, and leveraging the reputation of RICS to ensure that it is an effective influencer of policy.*

*Drawing on the extensive expertise of our membership, RICS aims to use its relationships with government to shape policy for the better, in line with the public interest mandate of RICS. [ljohnston@rics.org](mailto:ljohnston@rics.org)*

The UK faces a severe housing crisis. Tackling it requires pro-active and coordinated thinking that cuts across political and professional divisions, and develops holistic and workable solutions.

This is why the All-Party Parliamentary Group (APPG) for Housing and Planning was formed in July 2015, and why RICS was asked to serve the new group as secretariat. Under the chairmanship of James Cartlidge MP – and with support from Vice Chairs including Helen Hayes MP and Lord Shipley – this coalition of MPs and peers from across the political parties has one main ambition: to support the delivery of more good quality homes across the UK.

Since its establishment, the group has been closely involved across all aspects of housing policy, and met with the new Housing and Planning Minister, Gavin Barwell MP, within 48 hours of his appointment, to discuss the upcoming Neighbourhood Planning Bill.

## **National Housing Taskforce**

In common with the parliamentary officers of the group, RICS wanted to ensure that the APPG became a vehicle for driving genuine change and didn't simply become another

forum for restating the problem. With this in mind, RICS convened a National Housing Taskforce which draws together expertise from industry, the professions and the political parties, to develop clear proposals across 12 distinct themes.

A fundamental principle of the APPG for Housing and Planning is inclusivity, and, in common with the officers of the group, as secretariat we want to avoid piecemeal pronouncements and really get to the heart of the housing challenges faced by the UK.

To this end, the National Housing Taskforce is operating across 12 distinct areas of work, covering everything from planning reform to housing associations, and construction skills to mortgage finance. Furthermore, each stream is being organised by a relevant partner organisation, with the credibility to convene a wide coalition of organisations in pursuit of their recommendations. The work-stream leads include the Chartered Institute of Building, Royal Institute of British Architects, National House Building Council and Royal Town Planning Institute. This cross-sectoral approach mirrors the cross-party composition of the APPG itself.

## **Public sector land**

A key area of interest for the Taskforce is how the role of the public sector – at both central and local government levels – needs to change if we are to deliver the housing we need. This is a crucial question. Prior to 1979, local authorities were building around 100,000 homes a year, and the shortfall created by their exit from the sector has never been offset by either the private sector or by housing associations. An underlying principle of the Taskforce is that there is no silver bullet for housing. We need to pull on all levers to deliver the supply we need, and this is perfectly illustrated by the untapped potential of public sector building.

For these reasons, the Taskforce has established a dedicated work-stream to assess how the public sector can play a larger role. Led by the National Association of Local Councils, this stream is looking at how local authorities can be empowered to build, how central government can directly commission housing development, and how public land can be released for housing.

The political climate is more amenable to the idea of public sector delivery than it has been for decades. In her first leader's speech at the 2016

Conservative Conference, the Prime Minister spoke of the need to fix our “dysfunctional” housing market, and in a remarkable departure for a Conservative Prime Minister, committed to using “the power of government” to intervene directly. This is a refreshingly

frank acknowledgement that our whole approach to housing needs to change, and the Taskforce can provide tangible options to empower the government to make this a reality.

The final recommendations of the

Taskforce are currently being compiled and the group is aiming to report early next year.

[Ed - I think the Taskforce should be tapping into the innovative work that some ACES members are involved in].

# ESTABLISHING ESSEX HOUSING: THE HOUSING AND PUBLIC SECTOR LAND PROJECT

Gwyn Owen and Adam Thompson

*Gwyn joined Essex County Council in 2007. He has led a wide range of partnership projects. One example includes the Essex Countywide Traveller Unit (ECTU). The ECTU launched in 2012 and brought together education, health, enforcement, fire and site safety services for gypsy and traveller communities. The significant improvements in outcomes since its launch were recognised when the ECTU was highly commended in the 2013 LGC Awards. Gwyn’s current role is Head of Essex Housing, which aims to bring forward surplus land to address the housing needs of Essex residents. Gwyn.Owen@essex.gov.uk*

*Adam joined Essex County Council in 2007, having previously worked in local government roles at both district and unitary authorities. Adam has worked on a number of corporate and partnership projects including development of the council’s Corporate Outcomes Framework and Commissioning Strategies; Essex’s Community Budget pilot programme; strategic leadership of Essex’s partnership work to reduce domestic abuse; development of the county’s Special Educational Needs and Disability (SEND) strategy; and leading on satisfying the requirements of central government’s Comprehensive Area Assessment (CAA). Adam’s current role is a Development Operations Manager for Essex Housing. Adam.Thompson@essex.gov.uk*

Gwyn kindly agreed to undertake this paper, following a presentation at ACES Eastern branch in Colchester, which illustrated the different approaches being undertaken by the county councils of East Anglia to facilitate housing provision. Essex has chosen to set up a housing company to coordinate the activities of public sector parties and to provide a full range of services.

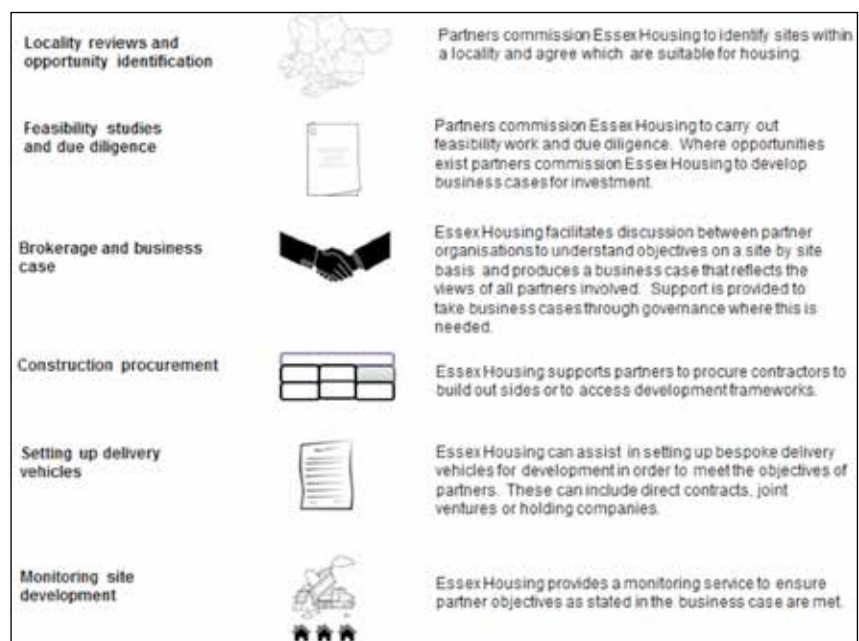
more control, including a particular focus on specialist and affordable housing such as extra care and learning disability provision.

The aims of the project, which were based on the view of all partners, were to:

- Create a financially sustainable model that
- Works with, and is funded by, partners to
- Release public sector land and

## Background

Essex Housing is a new function hosted by Essex County Council (ECC) on behalf of public sector partners. The operating Essex Housing model was developed through the Housing and Public Sector Land Project (HPSLP), which originated as a flagship project within ECC’s Community Budget programme. The project was driven by involvement and engagement of public sector partners across Essex, who were aware that more can be done with their assets by taking a stake in the development process and keeping







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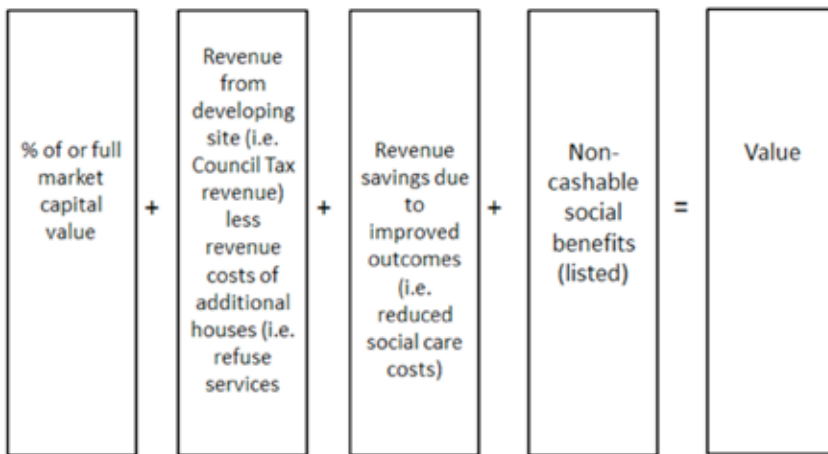
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## The Value Model



- Build additional specialist and affordable housing, by
- Taking forward each site in a way that helps partners meet the overall aims.
- Homes and Communities Agency
- The Local Government Association
- Rural Community Council of Essex
- Essex Police
- Essex County Fire and Rescue Service
- One Public Estate
- Housing Associations.

The HPSLP was overseen by a Project Board comprising of senior officers from local authorities, Essex Police, Essex County Fire and Rescue Service and the NHS. The operating model and business case for Essex Housing were developed through a series of workshops attended by:

- Local authorities (county, unitary, district, borough and city councils)
- NHS partners
- National Housing Federation
- East of England Local Government Association
- The Cabinet Office
- Essex Probation

The HPSLP had 2 workstreams. The first was to develop and establish the new operating model (Essex Housing), as well as to identify the size of the opportunity and agree a long-term approach to working together that meets the objectives of the partnership board. The 2nd was to identify specific opportunities and progress these through feasibility studies and develop investment business cases for housing development – effectively kick-starting the on-going work.

Essex Housing has been fully operational since April 2016 and provides the 6 areas of services illustrated on page 20.

### **The Value Model**

One of the key innovations of Essex Housing is the 'Value Model' which identifies an alternative methodology to 'best value', which is too often simply viewed as the best price. A financial appraisal approach has been developed which looks beyond the maximum capital value that can be achieved and takes into account the revenue savings that are achievable by developing housing that helps improve outcomes and reduce demand and costs elsewhere in the public sector. The approach is illustrated.

A good example of where the Value Model could be applied is through property developments for those with extra care needs, who might otherwise find themselves in residential care because of an inadequate supply of appropriate housing tailored to their needs. By building additional specialist housing, residents will be able to live more independently and costs to public sector partners can be reduced.

### **Progress to date**

While Essex Housing is still a new service, significant progress has already been made. Through the Government's One Public Estate Programme and using the Essex Property Asset Map (EPAM), over 1,500 pieces of public land have been reviewed thus far, across 9 localities. From these, around 200 are already being analysed in more detail by Essex Housing. To date, 7 business cases have been approved and a further 20 sites are being progressed by the team, working for a range of partners across the Essex public sector.

Work has also been commissioned by the team to produce design guides for specialist schemes (independent living, mental health re-ablement and learning disabilities).

In terms of those sites with approved business cases, planning applications

## Goldlay Gardens



Hillhouse



- A new health centre adjacent to the independent living scheme to provide new and improved health facilities
- A new swimming pool and leisure centre to replace the existing facilities on another site which are coming the end of their operational life.

A plan of the proposed scheme is illustrated.

**Next steps**

The Essex Housing model has made significant progress in the first few months of full operation. Over the coming 12 months there will be further planning applications made, the first schemes will start on site and integration with partner organisations will both broaden and deepen as the number of multi-partner schemes increases.

have been made for 2 schemes, the key details of which are outlined below:

Goldlay Gardens

Goldlay Gardens is ECC's former library headquarters. The site is accessed off Goldlay Gardens, a residential street in Chelmsford and comprises 30,000 sq ft GIA of mixed warehouse, storage and offices on an area of 0.473 ha (1.16 acres).

The planned works for the site include the demolition of existing structures and construction of 32 units in 3 apartment blocks of private and affordable housing, together with associated external works. Indicative images have been prepared on page 22.

Hillhouse

Hillhouse is a multi-partner project which involves Epping Forest District Council (EFDC), ECC and NHS England. The Hillhouse site consists of 2 adjoining pieces of land, one owned by EFDC and another owned by ECC.

The proposal for the scheme is to develop half of the site (with the remainder to be used for sport and recreation) along with land on which a closed and disused community centre is currently located (closed and to be demolished). An outline planning application has been submitted and comprises of:

- A new 60-unit independent living scheme to help meet the housing needs of older people in the locality

Ed – this looks like one to watch. I hope to include articles from the other East Anglian counties in future editions of the Terrier.

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# THE MILDENHALL HUB – ONE PUBLIC ESTATE IN THE MAKING

Alex Wilson

*Alex is a Director at Forest Heath District and St Edmundsbury Borough Councils and is the Chair of the Project Board for the Mildenhall Hub scheme, a partnership of 10 local and national organisations. Alex.wilson@westsuffolk.gov.uk*

Alex offers some timely and very practical advice on another ambitious ongoing co-location project in West Suffolk.

## Context

The Mildenhall Hub is an ambitious partnership project in West Suffolk, seeking to co-locate most of the public services in a market town onto one site instead of 5 (and in one building instead of 8). In itself this concept is not new, with good examples of shared hubs all over the UK to learn from. However, the Mildenhall project will certainly be unusual in terms of the range of services to be brought onto one site:

- large secondary school with 6th-form (and room to add a new primary school later)
- leisure centre, with a swimming pool and outdoor pitches
- health centre
- public library
- council headquarters building, as part of shared offices for district and county councils, health and police staff
- police and fire station
- Job Centre and Citizens Advice Centre (CAB), as part of a shared reception team

- pre-school
- café and soft-play facility
- facilities for the community and voluntary sector to use (meeting and activity rooms).

The scale of the construction project, likely to cost over £40m, is also significant. Helped by the fact that the land is all in the ownership of Suffolk County Council, the site will expand by over 20 acres. Over 15,000 sq m of new facilities will need to be added in phase 1, with room for expansion if needed in later phases. Even allowing for an increase in the current range of facilities, this will reduce the equivalent built elements of the existing public estate in the town by around 20%, and is estimated to reduce running costs by half over the next 25 years. Not just because the buildings will be efficient, but also because 3,000 sq m of internal space will be shared between the partners, ranging from plant and kitchens through to the large sports facilities. As an example, the meeting room that will act as the council chamber after 6pm will be in use by the school, Mildenhall College Academy (part of the Academy Transformation Trust) and the community during the day. Four vacated sites in the town will also be released for redevelopment.

## Asset management benefits

These asset management benefits are all essential for making a common-sense business case for the Hub,

but the partners involved are just as interested in the new ways of working that the Hub will allow, and the new relationships with and within the community that will be formed. National policy now suggests co-locating leisure facilities with education or health. The Mildenhall Hub brings all 3 sectors together, along with advice, information and democratic and community activities. A key part of the design from the architects (Concertus Design and Property Consultants) will also be creating a Hub which is flexible enough to meet the needs of the area as they change over time, and to allow the community to re-shape the Hub to be whatever it needs to be.

The project has come a long way since its origins in 2012, and has a long way to go yet, but we are now reaching the point where we will be able to test a detailed design with the local community and, if that goes well, to agree a final business case and submit a planning application in early 2017. The aim is for the Hub to welcome its first new users towards the end of 2019.

Technical Information on the Hub can be found in the background papers which are online at [www.mildenhallhub.info](http://www.mildenhallhub.info) ) and, if you check back before Christmas, you should be able to see the initial emerging designs.

## Lessons learned

In terms of reflecting on how we got to this stage of the journey, nothing we have learned has challenged the





normal characteristics of a successful capital or transformation project (so I won't repeat them). But in terms of some project specifics, we've learned or confirmed (in no ranked order) that:

1. **It takes time** – to build relationships, understand properly what partners need from the project, consult the community and assemble funding from third parties. However, you will gain this time back when you move onto further projects with the same partners. Sharing of council offices and emergency services buildings is now the default in Suffolk, and the pace at which we can now achieve this is built on the transferrable learning and relationships from the early, challenging, projects we worked on together
2. **Build a strong partnership first and don't obsess about the perfect governance model in the beginning** - the Hub Project is a partnership of 10 occupier organisations, with a core group of 5 main funders. As the project has developed, its governance has become more complex, along conventional project management lines, but at the outset it was very informal. It is the trust and commitment (and simple shared vision) built in these early stages that have formed the solid foundations for the project, and which have provided the resilience to get through any of the inevitable

issues that have cropped up along the way

3. **Enable the partnership to act as an entity** - the decision early on to jointly-fund independent advisors and project managers, who work for the partnership not any of the individual partners, has paid dividends in terms of outcomes and in terms of all partners feeling that they are genuine stakeholders
4. **Be realistic about what you can share** – the Hub's vision has sharing as a default and every partner has been able to agree a way to share some facilities. But where a partner needs exclusive operational space (all or some of the time) they will have it, and safeguarding for the school is obviously non-negotiable. We

also know from other projects that the cost of sharing can sometimes be disproportionate (for instance if a partner requires everyone with access to an office to be security cleared)

5. **Don't wait to start sharing** – Mildenhall's existing sports hall is dual-use with the school so there is a long understanding of this model between the Academy and leisure provider/council. Forest Heath's offices in the town are also already shared with the County Council, NHS, Department for Work and Pensions, CAB, and the Advisory, Conciliation and Arbitration Service. This not only will make the Hub easier to deliver when the time comes to move to the new site, but creates a culture of sharing in advance and allows



tenure and operational models to be refined, as well as key working relationships to be formed

- 6. Friends in Whitehall** – given its fit to the principles (release sites for homes and jobs, co-locate/transform services and reduce running costs), the Hub has been a project in the Cabinet Office and Local Government Association's One Public Estate (OPE) Programme since 2014. We also received some pump-priming money from DCLG in 2013 under its Transformation Challenge Award scheme. Money is always helpful, but the real value of these national programmes has been the coordination of the support and advice we've needed in Whitehall, and the contacts we've made through the networks that have emerged. We also haven't struggled to explain the Hub to any government depart-


ment, as they already understand what OPE is trying to achieve. A very supportive local MP, working alongside local politicians and public sector leaders, has also been hugely helpful

- 7. Offer a financial model that can work for everyone but also encourages new ways of working** – this is work in progress (and it would be tempting fate to suggest we've cracked it) but we already know that, with 10 diverse partners, having a single tenure and funding model simply will not work. This is our experience from existing projects too. What's more important is going to be a basic principle of transparent cost-sharing, so no partner feels that they are subsidising another. And then offering a flexible set of options for how organisations can own and/or occupy the space;

whether it's 2 desks they want or a large leisure centre. This will result in some organisations owning the Hub, and others just renting space, but all sharing the running costs on a fair 'user-pays' basis. As an added benefit, this 'user pays' model drives new behaviours – if there is a premium to pay for having exclusive use of a facility, people will look for a way to share it and take the capital and/or revenue saving.

### Sharing experience

If anyone reading this article has any questions or, more importantly, if you can help us with great case studies or lessons learned from your own projects, please get in touch – I'd be delighted to speak to you, or put you in touch with someone in the partnership.



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# “YOU SHOULD HAVE ASKED ME FIRST” – TENANTS’ RIGHT OF FIRST REFUSAL

Olivia Tassell

*Olivia is a Partner in the Property team at Boodle Hatfield LLP. She has a varied practice, including both commercial and residential conveyancing and landlord and tenant work, with special interest in mixed use properties and the private rented sector. She also advises on all aspects of enfranchisement and lease extension transactions, from both a landlord and tenant perspective. [otassell@boodlehatfield.com](mailto:otassell@boodlehatfield.com)*

Olivia illustrates in a recent case concerning the potentially drastic consequences of breaching the Landlord and Tenant Act 1987 for a mixed use property. This is relevant to public sector landlords who own shopping parades with flats above, and large new developments including multi-uses.

## Context

It is always tempting to consider residential and commercial property as entirely separate commodities. Indeed, they do often create very different, sometimes competing issues and perhaps for this reason, many property professionals choose to limit their scope of expertise to one or the other. However, in every town or city there will always be a large number of buildings in mixed use, from the typical high street shopping parade of ground floor shops with flats above, to large new developments incorporating everything from restaurants, hotels, apartments, gyms and convenience stores in one site. Mixed use buildings such as these often require residential and commercial property issues to be considered side by side, with sometimes unexpected consequences. In particular, it is important to remember that mixed use properties may be caught by legislation designed to protect the interests of residential tenants and occupiers, which would not affect a property in solely commercial use.

## Landlord and Tenant Act 1987

One such piece of legislation is the Landlord and Tenant Act 1987 (the 1987 Act), which confers a pre-emption right on residential tenants within certain residential and mixed use buildings. This right of pre-emption operates in a negative way, prohibiting a landlord from making a ‘disposal’ to a third party without first offering that ‘disposal’ to its residential tenants. A ‘disposal’ in this context is very widely defined. The most obvious and common example is the sale of a landlord’s reversionary interest, but even the grant of a lease of part of the common parts of a qualifying building can be caught. As we will see, this right of pre-emption can seriously hamper a landlord’s ability to deal with its investment interest.

The qualifying criteria under the 1987 Act are very detailed and must be considered on a case by case basis. In broad terms, it will apply where more than 50% of the relevant building is in residential use and that building contains 2 or more flats held by residential ‘qualifying tenants’. If the legislation does apply, a landlord must, by way of formal written notice, offer the interest being disposed of to the residential qualifying tenants in the building - on the same terms as those agreed with a third party purchaser - before contracting with that purchaser. The tenants then have 2 months in which to accept. If

they do, the acceptance must be by a sufficient majority (more than 50%) of the tenants.

Where a valid acceptance notice is served, the landlord must withdraw terms from the third party purchaser and sell to the tenants instead. A landlord may only proceed with a sale to a third party if the 2-month notice period has elapsed without a valid acceptance notice being served. Even if all of the tenants respond negatively within the first week of the offer notice, the landlord cannot proceed until the full 2 months have elapsed.

While the delay is unpalatable - involving uncertainty and potentially wasted costs for both parties - there are serious sanctions if the legislative requirements are not met; both for the landlord’s selling entity and a purchaser acquiring the landlord’s interest.

If a landlord makes a disposal in breach of the legislation - without serving notices or without waiting the requisite 2 months - he/she (or, if it is a company, its directors) will have committed a criminal offence. The risk for a purchaser is that the residential tenants have the ability to “undo” the transaction carried out in breach and acquire the landlord’s interest at the price paid by the purchaser.

## A recent case

The recent case of Artist Court

Collective Limited v Khan (2015) is a relatively unusual example of litigation involving the 1987 Act. It has received a high level of publicity for a county court decision, as it illustrates the potentially drastic consequences of breaching the 1987 Act

This case involved a mixed use building in East London consisting of 3 commercial units on the ground floor with 8 residential flats above, sold off on long leases. In 2011, the freeholder/landlord (Mr Khan) transferred his interest to a newly incorporated company within his control for a price of £225,000. Mr Khan made this disposal without first offering it to the residential tenants, in contravention of the 1987 Act. In fact, no attempt was made to inform the tenants of the change of landlord and the tenants only became aware of the transfer in the middle of 2012, when the opening of a fish and chip shop in one of the commercial units prompted them to look into their rights.

Having discovered the breach, the majority of the flat owners formed a company and served a notice on the new owner, seeking to invoke their right under the 1987 Act to have the freehold transferred to them for the same price. On receipt of this notice, Mr Khan sought to rectify the position by reinstating the original status quo, transferring the freehold from the named company back into his own name, this time for no consideration. However, he again failed to offer the interest to the residential tenants, breaching the 1987 Act for a 2nd time. As a result, the court held that the residential tenants were entitled to acquire the freehold interest on the same terms as the 2nd transfer - for no consideration. In practical terms, the tenants acquired - and Mr Khan lost - a valuable freehold interest for nothing.

### ***A salutary lesson***

The example of Mr Khan provides a salutary reminder to landlords of residential and mixed use buildings that the requirements of the 1987 Act are not to be taken lightly. Furthermore, residential tenants and their advisers are clearly becoming

more live to the requirements of the legislation and how it may be used to their advantage. Provoked into action in protest against an undesirable use of one of the retail units below, these flat owners ended up acquiring control of the whole building, including the right to income from the commercial units, without having to reach into their pockets.

Where a group of residential tenants are considering a claim for collective enfranchisement, for example, or are otherwise keen to get their hands on the management of their building, it is worth first checking whether any transfers of the landlord's interest are revealed at the Land Registry and, if so, whether these complied with the 1987 Act. Compliance can be ascertained via a few simple questions to the landlord, or more formally, by the service of an 'information notice' under the 1987 Act. Indeed, the tenants themselves should know whether notices were served, as they would have received them.

There is no time limit for the service of purchase notices following a disposal carried out in breach, so it may be possible to "undo" a transfer carried out several years ago, at a price much less than current market value. However, this will only ever be achieved if a sufficient majority of the tenants work together; with large blocks of flats it may prove extremely difficult to achieve a majority of willing participants and even more difficult to co-ordinate them.

On the other side of the coin, landlords of qualifying buildings will often seek a way round the unpalatable delay associated with the service of offer notices. This may sometimes be possible by making use of exemptions in the 1987 Act, for example, by transferring properties between associated companies and/or selling the shares in a landlord company (rather than disposing of the property interest itself). However, the exemptions are limited and it will frequently not be possible to find an alternative to carrying out the notice procedure and waiting the requisite 2 months. No matter how frustrating this process is, landlord advisers should

have no trouble convincing their clients of its importance - now they have the story of Mr Khan to relate!

Ed – This article first appeared in RICS Property Journal, July/August 2016. My thanks to RICS for allowing me to include it in the Terrier.





# TAKING ENGLAND'S DARK SATANIC MILLS INTO THE LIGHT

Stephen Miles

*Stephen is a Director in Cushman and Wakefield's Development Team and has 18 years' experience as a property professional. He manages the firm's regional Development and Planning Consultancy team in the Leeds office, which he combines with a national role as National Skills Director for the UK Consulting skill. He is dual qualified as a chartered surveyor and town planner and specialises in the delivery of regeneration and development advising clients in both the public and private sectors. [Stephen.miles@cushwake.com](mailto:Stephen.miles@cushwake.com)*

I have a real weakness and respect for Victorian mills and I hate to see them deteriorate. It is with pleasure that I include this article submitted by our advertisers, Cushman and Wakefield, who are working with Historic England, to promote bringing our heritage buildings into new uses.

It was William Blake's early 19th Century poem which first put mills into our national conscience. While the reference may have once carried a negative connotation, these buildings are undeniably symbols of our great industrial heritage and widely regarded for their distinctive character and historic significance. With the large majority of mills no longer needed for their original use, they provide a unique opportunity for alternative uses, for regeneration, and for accommodating the country's need for new homes and jobs.

Property advisor Cushman and Wakefield, working alongside Latham Architects, has recently produced a report for Historic England to review and develop best practice in the repurposing of textile mills. The report, which is available on Historic England's website, focuses on West Yorkshire's textile mills. However, the findings are relevant nationally, and provide replicable solutions for many of the stakeholders involved in mill renewal projects, in particular local authorities, who have multiple vested interests in promoting their reuse.

## **So why should the public sector promote the reuse of vacant and underused textile mills?**

- Revenue generation – bringing a vacant listed mill back into use can generate new business rate income (since vacant listed buildings do not carry business rates but occupied ones do) or council tax and New Homes Bonus
- Accommodating growth needs – at a time when local authorities are struggling to find land to accommodate their growth needs,

vacant mills provide a ready solution

- Acting as a catalyst for regeneration – experience has shown that repurposed mills can act as a focal point and anchor for regeneration schemes and can change the dynamics of the local property market.

## **The key challenges facing mill regeneration projects are:**

- Occupier demand - some textile mills are located in areas of weak occupier demand. As a conse-



Dean Clough Mill, Halifax



Lister Mills, Manningham, Bradford



Redbrick Mills, Batley

quence, rental and capital values are modest, restricting the viability of mill redevelopment projects

- Structural condition - some buildings have been disused for a prolonged period of time, which has resulted in deterioration of the fabric and structure of the buildings
- Site constraints - many sites experience a number of constraints including asbestos, difficult topography and flooding issues
- Cost of adaptation - as a result of the above, the costs of adapting mill buildings and sites are often higher than that of the average building renovation, creating a financial deficit and viability problems
- Risk profile - because of uncertainties relating to cost, timing, planning and occupier demand, mill regeneration projects are viewed as high risk ventures by developers and funders.

### **Best practice**

However, there are several precedents of best practice which point to solutions that can be deployed for overcoming these constraints:

### **Case study: West Yorkshire's mills**

Ed - The text below are extracts from the executive summary of "Engines of Prosperity: New uses for old mills". The main report is practical and fascinating.

#### Introduction

Securing active and sustainable futures for West Yorkshire's vacant and underused textile mills is critical to sustaining the character of these important symbols of the county's industrial heritage.

The study has focused on assessing a combination of recently refurbished and currently disused mills across West Yorkshire. The work has highlighted the scale of the opportunity and the wide range of best practice precedents from recent mill conversion projects. It also underlines that there are a number of positive emerging trends which are creating a renewed impetus for regenerating these important assets:

- Market improvement across the residential and commercial sectors, which is generating increased occupier and purchaser demand for all asset classes including heritage assets;
- Growing developer and investor appetite;
- The devolution agenda which is encouraging local authorities and Local Enterprise Partnerships (LEPs) to invest in regeneration and growth projects and to implement innovative measures (such as simplified planning, direct delivery and intervention) to unlock the delivery of difficult sites and buildings.

#### The opportunity

These buildings generally offer large open spaces which make them physically capable of being brought back into alternative use.

The scale of the opportunity is vast. There are over 1,500 remaining textile mills in the West Riding of Yorkshire, of which around 150 have been converted and are in





Marshall's Mill, Leeds

use. Securing the economic functionality and purpose of textile mills is critical to ensuring their conservation.

Textile mills that are not sufficiently cared for and maintained can quickly fall into disrepair and can lower the environmental quality of an area. Such “dead landmarks” can reduce the attractiveness of an area resulting in a lack of inward investment and growth. Recent experience shows that conversely, integrating historic buildings with regeneration schemes can create popular, vibrant urban quarters which can act as a catalyst for investment.

Consideration of innovative leasing structures, whereby the strength of the public sector’s covenant can be used to generate capital.

Use of public sector’s capacity for borrowing to improve the availability of funds for projects and specifically to equip the public sector with the necessary resources to implement speculative projects.

#### Recommendations

- Taking account of our findings, we consider there to be a number of action areas for key stakeholder groups to address in promoting a programme of change and facilitating the regeneration process. For the public sector:
- Create West Yorkshire textile mill investment funds through Local Enterprise Partnership co-financed from Local Growth Fund, Historic England, European Structural and Investment Fund
- Local authorities to consider financing options to address viability gap on priority assets, with seed funding provided by above West Yorkshire fund to limit borrowing risk exposure (potential to merge together with the proposed funds)
- Local authorities to take a more hands-on role in promoting and facilitating regeneration process using resources at its disposal – planning, CPO, borrowing, skills, local tax revenues
- Consider aligning public sector accommodation requirements with heritage

- Occupier solutions – our report illustrated successes where mills had attracted occupiers who are well-suited, such as creative businesses, it showed how the use of public sector mechanisms can be used to incentivise occupiers, and also how public sector accommodation requirements can be aligned with mills
- Design and adaptation solutions – it showed how there needs to be a greater level of flexibility in the adaptation of buildings, including partial demolition and new build on site, using the concept of ‘constructive conservation’ to drive change
- Cost solutions – smart cost management and early identification/determination strategy (prior to closure of mill) to avoid a period of vacancy; utilisation of tax concessions such as Enhanced Capital Allowances and off-setting abnormal costs through enabling development
- Business model solutions – we found that the conventional developer model only works in certain circumstances and that alternative models were needed. The example of investor/developers establishing medium/long term funds, targeting such assets is cited as one such solution
- Funding solutions – alignment of private sector funds and Local Growth Fund, European Union funds and Heritage Enterprise to maximise funding availability and impact; utilisation of LEP and Homes and Communities Agency investment programmes to create greater flexibility than commercial debt/equity and the use of Tax Increment Financing by local authorities utilising business rate income (for commercial occupiers) and New Homes Bonus (for residential uses) to enable tax generation from re-use to be used to help plug upfront financial deficits.



Victoria Mills, Shipley

The report illustrates a number of exemplar mill projects but critically, it provides a toolkit which is intended to drive investment and activity in future mill regeneration. It might be a stretch to suggest it will build Jerusalem, but it is hoped that the report will play an important role in bringing many redundant mills back to life.

The report was written by Stephen Miles and Stephanie Hiscott of Cushman and Wakefield and Jon Phipps of Lathams Architects. The report is available at the following link:

<https://www.historicengland.org.uk/images-books/publications/engines-of-prosperity-new-uses-old-mills>

The photographs were kindly supplied by Historic England, which has given ACES permission to use them.



This article, the first of 2, is based on a presentation at the most recent CIPFA AMP Network series. It covers the site, due diligence and marketing stages.

## PROJECT DE-RISKING AND DELIVERY – ACHIEVING THE BEST RESULTS FROM A CONSIDERED PROCESS

Ben Colman MRICS MRTPI

*Ben is a dual-qualified property professional with extensive private sector background as a Director in the Regeneration Team at CB Richard Ellis, advising public sector clients on a diverse range of strategic property and regeneration initiatives within London and across the UK. Ben transferred to the public sector as Development Manager at Cornwall Council, where he was responsible for the day to day strategic asset management of the council's diverse estate, which led into the direct delivery and structuring of a variety of major land and property transactions. He has experience in strategic project management, public/private partnerships, accommodation strategies, commercial asset reviews, and housing regeneration. He is now a Property Advisor with CIPFA. Ben.Colman@cipfa.org*



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**Keith Hardman**

keith.hardman@cushwake.com  
+44 (0)113 233 7334

## **Context**

The techniques and approaches used to engage successfully private sector development interest in major public sector-led land disposal and development opportunities is absolutely fundamental to ensuring project delivery and indeed maximising the commercial arrangements whether this results in a capital receipt, rental income or another form of consideration such as the construction and transference of a public facility. As lead officers responsible for progressing major land transactions, we should be fully aware that potential bidders, who may be investing sizeable sums in preparing proposals, need to have the confidence that a marketing and disposal process is being run by experienced property professionals who are able to structure a coherent process, actively engage and act commercially in order to push the project over the line.

Given the variety of property transactional work undertaken by local authority property teams, we are all fully aware that each transaction has its specific circumstances, pressure points and drivers and it is therefore crucial that we ensure that sufficient thought and preparation is invested in the pre-marketing stage. In addition we need to have an understanding of what the market is actually capable of delivering and that development propositions that are put out to the market are not perceived to be over ambitious or somehow convoluted. This becomes more central in a declining market or with sites that have marginal viability or low market appeal.

This topic of project de-risking and delivery is going to be examined over 2 articles, with this piece exploring the site, due-diligence and marketing stages followed by (in a subsequent edition of the Terrier), commercial arrangements and in particular the different types of legal agreements that can be used dependant on the type and structure of the development proposition and extent of continued involvement by a local authority throughout the scheme delivery process.

## **The site**

Based on my experience of leading on the delivery of major property initiatives within both the public and private sector the importance of rigorous site preparation and due diligence cannot be underestimated or rushed. This provides the building blocks for a successful project and it is often the simple things that can be overlooked, which later on down the track can cause embarrassment or even reputational damage. Typical issues to address to begin with include reporting on title, identifying service runs, together with available ground investigation information. In addition, a meeting with your planning colleagues is worthwhile to establish planning history, presence of protected structures, and the type of S106 or S278 (highways) requirements that may be required to enable development to be delivered. Also, of significant importance is the planners approach towards the need for the provision of formal pre-application advice, the preparation of a development brief or even an outline planning application, which will help to crystallise the development aspirations and parameters for the site and give the property market additional assurance and guidance.

It is often the case that a proportion of the site is occupied by a council department or a community group and it is therefore your responsibility to get to the bottom of these arrangements. When can vacant possession be obtained, what assistance do occupiers need to relocate, what are the political issues around this and are the timeframes achievable, are all sensible questions that need to be squared off prior to marketing. Indeed it could be the case that a site will be sold with an occupier in place under a sale and leaseback arrangement. Issues to consider here revolve around the length of the lease, the level of rent and of course the acceptability of such arrangements to the successful bidder!

Lastly we must not overlook political engagement and structured involvement from the portfolio Holder and local ward councillors at project

inception, when the concept and structure is being agreed and prior to project launch, to ensure that everyone is on board prior to hitting the go button. Members' involvement will of course continue at key junctures in the process proceeding disposal.

## **Pre-marketing**

Prior to progressing to the marketing stage, officers will need to be crystal clear on the procurement position. This is particularly the case where an authority is seeking to specify the type of scheme to be delivered (above and beyond its statutory town planning powers), is seeking the delivery of a public facility as part of the development (in addition to the s106 package) or is retaining a financial interest. If there is a lack of clarity or an apparent grey area, it is imperative that sound legal advice is sought. If the incorrect procurement route is chosen the project could be exposed to challenge and at worst could become abortive.

Before formal marketing, and depending on the circumstances, a soft market testing exercise is worth considering where a selection of potentially interested parties are engaged on a structured basis. These conversations help to shape the project and importantly provides commercial feedback on the attractiveness of the proposition and potential downsides. It also gives the market a 'heads up' and enables key players to be engaged. Again, procurement colleagues will need to be consulted on the acceptability of such an approach.

## **Marketing and discussions**

In addressing the property marketing stage, there are of course different processes and timeframes that apply, dependant on whether an OJEU process is triggered or not. For the purposes of this commentary, our focus assumes that an authority is progressing a major land disposal (which is conditional on securing planning consent) where OJEU procedures do not apply. The first thing to mention about marketing is about promotion and information flow.

There are a number of key issues to incorporate which include:

- A logical staged process
- Realistic timeframes
- A clear bid evaluation framework
- Accessible points of contact
- Comprehensive site information pack.

There are a number of items of information I would ordinarily expect to see from prospective bidders in order to flush out their commitment and substance. These include financial accounts, track record, project programme, development appraisal, scheme layouts, basis of financial offer and importantly, conditions of offer.

In structuring the basis of offer section (which could include the submission of both scheme design and financial offer), it is worth considering the inclusion of both a compliant and variant offer. This tactic introduces flexibility in the process and potentially increases market appeal. It also empowers bidders to think laterally and generate innovative and sometimes creative proposals which could deliver a better outcome.

If we are involved with a major site, it is likely that abnormal costs will apply (e.g. contamination, demolition, infrastructure provision) and on this basis headline offers could be sought where the deductible items are clearly set out. These, together with the minimum price, are likely to be the subject of a commercial negotiation following selection of the preferred bidder and once further due diligence is undertaken on the site. In addition, particularly where a scheme is phased or challenging, a phased payment arrangement can also be introduced as a basis of offer. However, caution should be exercised here as this route does bring further complications in relation to the financial covenant of the selected bidder and the ability of the authority to step back into sections of the site, in the event the developer goes pop.

Lastly we need to have regard to the inclusion of an overage provision to capture any 'upside' generated by the scheme. This can be in the form of a profit, sales or planning overage and its inclusion will depend on the dynamics and nature of the commercial negotiation [Ed – see 2015 Summer and 2016 Spring Terriers].

The marketing stage is underway and developers (we hope) are active in preparing proposals. An option now to maintain momentum is to introduce a mid-point review meeting where bidders are invited to table their ideas and works in progress and to ask questions to the council's project team. This also gives officers an opportunity to assess progress and the direction of travel and to raise any 'show stoppers' if necessary.

Following submission of design and finance proposals we would recommend an additional stage prior to bid evaluation and selection. This would involve a final round of clarification with bidders, together with offering the opportunity to submit a best and final offer while still in competition. In tandem with this process the council can also issue draft heads of terms to each party which can be negotiated and thereafter assessed. Finally, bidders should have the opportunity of presenting their proposals to the project team (and Members if appropriate) where a final Q&A session can be instigated.

In terms of bid evaluation, clearly each authority will have its own approach. However, the process must be consistent, transparent and as fair as possible and importantly, the weighting needs to be balanced to ensure a deliverable proposal is selected and not necessarily the proposal with the highest financial offer!

### **Conclusion**

This is an overview of what is a well-constructed and thought-through process which should assist in yielding the best outcome. To make sure that this process goes as smoothly as possible, it is so important that there is a clear day-to-day project lead

who has the right level of experience and commercial acumen to know when to engage additional expertise to get to the right answers and to draw negotiations to a head when the optimum commercial deal has been struck, taking account of all the circumstances.

Ed - Ben will conclude project de-risking in a future Terrier, to cover different types of legal agreements, other commercial arrangements and further involvement during project delivery.





# NEW APPROACHES TO GEOGRAPHIC DATA – A PRACTICAL JOURNEY THROUGH THE DATA HIERARCHY WITH GISSMo®

Spencer McGawley and Rebecca Pembery



*Spencer is an Associate at CampbellReith Consulting Engineers, and leads the Environmental Management Group specialising in development planning and site environmental appraisal. He has worked on a combination of major infrastructure projects, urban regeneration schemes and strategic planning projects, both in the UK and abroad. [spencermcgawley@campbellreith.com](mailto:spencermcgawley@campbellreith.com)*

*Rebecca is a Senior Geographical Information Specialist at CampbellReith, where she develops and maintains the GISSMo® system. She has extensive experience in geographical information systems (GIS) and digital mapping. Rebecca has worked on a wide variety of GIS projects, covering the environmental, geotechnical, traffic and transportation, utilities, demographics, housing and planning disciplines and takes an active role in the development of geographical information within the wider profession. [RebeccaPembery@campbellreith.com](mailto:RebeccaPembery@campbellreith.com)*

Spencer and Rebecca kindly agreed to write this article, following a presentation to ACES Eastern in July. This included a rather mind-blowing ‘walk’ through the capabilities and flexibility of their in-house software system, GISSMO, which: “Anyone with a basic understanding of computers can use and benefit from the system.”

## Big data as a big problem

Everyone involved with the assessment or appraisal of land knows how much information is available for sifting, processing and interpreting. Indeed, in 2016 Spring Terrier, the article “Digital Living – Understanding the Future of Cities and Public Services” raised the issue of “Big data” and the problems that skills deficits are creating in the effective use and interpretation of such data.

## Old data was hard to find

However, it was not always so; while

```
Arc: grid
Copyright © 1982-2006 Environmental Systems Research Institute, Inc.
All rights reserved.
GRID 9.2 (Sun Sep 17 16:05:34 PDT 2006)

Grid: asien_res = resample (asien_lam, 1000)
Resample ... 100%
Grid: gridclip asien_res hs_res box -512000 -512000 512000 512000
Clipping grid...
Grid: quit
Leaving GRID...
Arc: describe hs_res

Description of Grid hs_res

Cell Size = 1000.000 Data Type:
Integer
Number of Rows = 1024 Number of Values =
3273
Number of Columns = 1024 Attribute Data
(bytes) = 8

BOUNDARY STATISTICS
Xmin = -512229.858 Minimum Value = 1.000
Xmax = 511770.142 Maximum Value = 3691.000
Ymin = -511735.722 Mean = 861.542
=
Ymax = 512264.278 Standard Deviation = 623.792

COORDINATE SYSTEM DESCRIPTION
Projection LAMBERT AZIMUTHAL
Datum WGS84
Units METERS
Major Axis 6370997_00000 Spheroid
Parameters Minor Axis 0_00000 DEFINED
radius of the sphere of reference 6370997_00000
Continue? y
longitude of center of projection 110 5 0_00
latitude of center of projection 34 30 0_000
false easting (meters) 0.00000
false northing (meters) 0.00000
Arc:
```

Figure 1: Remember me? The command prompt screen



the proliferation of data today seems normal, it was not so long ago that site specific data was hard to come by. Graduates in the 1990s often spent many hours poring over historical parish maps and county records in libraries around the country – many of whom either did not allow, or provide photocopying facilities, meaning that travelling with a pad of tracing paper and pencils to make your own record of the maps was crucial. Information from ledgers would be copied out in long hand.

The answer to this rather analogue approach was of course Geographical Information Systems, or GIS, as it was widely known. Once upon a time this was rather obscure technology. It was taught in a laboratory environment in university basements and required considerable programming and coding skills. Run on a command prompt screen (Figure 1), development of the systems took time and effort, and this even extended to operation as an end user.

### ***Welcome to the future – all you can eat data***

Now, however, GIS is mainstream technology, although it often does not speak its name. Consider Google Maps. This allows a user to see all the key geographical features in an area, locate buildings, determine what businesses are there and thanks to the data collected by users of phones equipped with Google Android Software, can provide real time traffic and pedestrian footfall data. All of this can be presented on a fully scalable map, or if you prefer, an aerial photograph that is updated regularly. In fact, the problem now is not too little data, it is too much.

The creation in 2010 of the Open Information Licence by the UK government and the subsequent launch of the website [www.data.gov.uk](http://www.data.gov.uk) which saw the release of all non-personal government-held data, was a game changing event in UK site analysis.

Whereas once there was a scarcity of information, and a lack of portability and processing ability, there is now an exciting, yet intimidating, amount of information available. This

“embarrassment of riches” leads to information overwhelm and potentially “paralysis by analysis”.

### ***The development of GISSMo®***

This was a problem that we encountered while undertaking regeneration schemes on complex sites. It became apparent that lots of geographic data was available, and with a multi-disciplinary cross team approach, data centralisation became a key consideration. We found that initial attempts to have a weekly data issue (on CD) to the team was unwieldy and time-consuming to produce, while providing no control over which data versions were in circulation and in active use at any one time. Data security was also an issue, with confidential and privileged information being issued on the discs. We therefore needed to develop a method of centralising our data while ensuring accessibility.

Our target benchmarks for the solution were:

- Central control of data
- Ease of distribution
- on-technical user focus
- Highly interpretative user interface (or UI, in software parlance).

The GIS team at CampbellReith took on this challenge and the result was GISSMo® – or **Geographical**

### **Information Systems Site Model.**

This proprietary software comprises an online GIS system that runs on the Earthlight software, developed by StatMap. This can import any geo-referenced database, such as those from [magic.gov.uk](http://magic.gov.uk), the Environment Agency, [data.gov.uk](http://data.gov.uk), or your own in-house property data (as an example CampbellReith holds a database of the lost rivers of London – now buried by development - which we created by digitising historic maps).

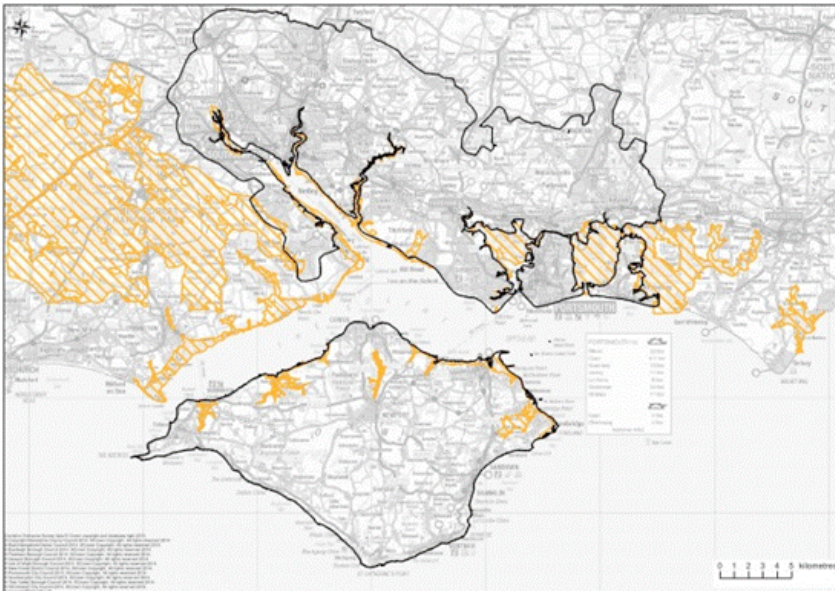
Individual users are granted a unique ID and password and their access to certain datasets constrained according to need. For example, technical specialists looking at ecological issues would have no need of seeing information relating to the projected land values, so their ability to do so can be prevented by the administrator.

Data can also be made available to third parties outside of the project team. During land purchase negotiations, it is possible to allow a prospective buyer access to key data sets. This user cannot download or alter any data and can also be confined to data within a particular area, be that the entire site boundary, or a discrete land parcel within it. We have used GISSMo in this manner on Homes and Communities Agency (HCA) sites – indeed it was this specific need that drove the development of the system in the first place.

Figure 2: Former RNAS Daedalus - remediation and site disposal project



Figure 3: The PUSH Spatial Strategy – regional spatial planning for 120,000 new houses



### **Some examples**

The utility of GISSMo is best demonstrated by looking at some examples:

#### RNAS Daedalus, Portsmouth

This project represented the genesis of GISSMo. Faced with a complex remediation project on a vast former Royal Naval Air Station in Lee-on-Solent, and the need to provide parcel specific information to potential purchasers, GISSMo was created to provide a highly secure, controllable yet flexible data sharing environment.

#### Partnership for Urban South Hampshire (PUSH) Spatial Strategy

A strategic regional study to inform the development of local plans for 12 local authorities in the South Hampshire region, we used GISSMo to assess development constraints and subsequently identify potential development locations for 120,000 new houses. The number of councils and officers involved meant that GISSMo provided a vital tool for collaboration.

#### Earls Court, London

As a slightly different example, in our long-term role as engineers to the Earls Court Exhibition Centre in west London, GISSMo was deployed to provide a repository of historical drawings, many going back several decades. Data relating to portal frames,

beams and columns was collected and geo-referenced along with floor plans, underground tunnels and photographs from inspections. This made location of records possible by the simple clicking on a map.

This information has been used to inform modifications and developments, and ultimately for the demolition of the site without impacting on the underground tunnels which lie beneath the Earls Court footprint.

### **Benefits of GISSMo®**

The key benefits of GISSMo are that it removes the need for in-house, or in-team, GIS technical expertise. Anyone with a basic understanding of computers can use and benefit from the system. The approach also offers excellent scalability with the ability to authorise multiple users to the

same system. The system also avoids the need for GIS software; the online system is available on any internet enabled computer and can therefore be used from any location with an internet connection. Mobile use is already in development.

GISSMo also determines a reduced time to benefit. It can be made “up and running” quickly, with even unfamiliar users being able to interrogate the system within minutes. The intuitive nature of the UI makes handling large volumes of data far easier, and reduces overwhelm when presented with new data sets.

Finally, data is stored and maintained centrally, allowing you to exert ultimate control over your information.

### **Geographical information in the future**

What is clear is that the “information glut” is not going to go away, and will only get worse. This will be caused not only by the capture of new information, but as legacy data systems are increasingly established, bringing veteran data sets into the usable realm. For example, CampbellReith is currently digitising its old drawings and specifications so that they may be available for reference by our engineers and designers of the future. Many other organisations are engaged in similar projects.

### **From database management to Information Curation**

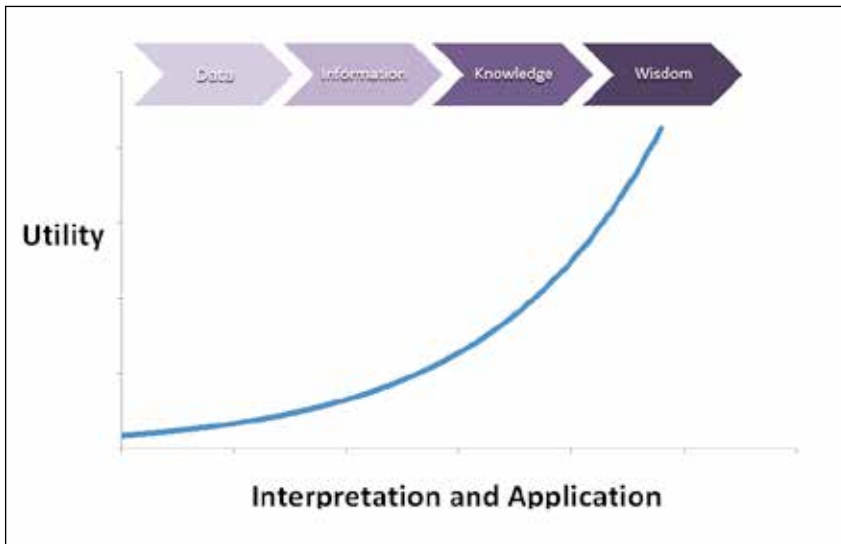
The next step for so-called “Big Data” is



Figure 4: Earls Court, London – structural information stored as geo-referenced data



Figure 5: The Data Hierarchy – how data matures



therefore **Information Curation**, where the focus will not be on volume, but on currency and relevance. The way in which we like to view the development of information is using the Data Hierarchy (McGawley and Ilet, 2010) (Figure 5). This shows how data matures from raw numbers to actual wisdom, with increased interpretation and application. Increased curation moves us along the hierarchy, improving the quality and value of the data to us, the users.

### **Empowering the user**

The increase in user-focus will continue, as UIs are improved and respond to actual usage patterns, rather than those prescribed by software designers. This will probably take the form of smart

UIs that adapt and update themselves to reflect usage patterns. The development of more advanced search algorithms will make cross-referencing datasets faster with more accurate results.

The technology already exists for mobile GISSMo access, allowing data to be available to users on site via their smartphone or tablet, and will be incorporated into the system very soon. A further and potentially even more exciting development is the possibility for this to evolve to real time online editing of data, allowing surveyors to create new data sets on site, which can be shared with almost immediate effect with other members of the team.

### **(Data) failure is not an option**

Perhaps the loudest message coming from these trends and changes is that data failures will not be tolerated in an increasingly data literate world. The expectation for seamless data delivery has been established and performance is expected.

We are now seeing a move along the Data Hierarchy that is enabled by technology, meaning that **Geographical Information Systems** are becoming **Geographical Knowledge Systems**, delivering higher utility and value than they were ever originally designed to do – as former basement dwellers learning GIS coding, we can certainly attest to this. The development of GISSMo is a step further in this evolution, and although we are probably some way from our first Geographical Wisdom System, we will keep working on it.

GISSMo® is a proprietary software system developed by CampbellReith, multi-disciplinary consulting engineers, who work across the full spectrum of land development, from initial appraisal, planning consent, scheme design and overall build. For information about GISSMo and their wider services, please contact [spencermcgawley@campbellreith.com](mailto:spencermcgawley@campbellreith.com). More information at [www.campbellreith.com](http://www.campbellreith.com)



## **WHO OWNS SCOTLAND?**

**Charles Keegan**

*Charles heads the team responsible for delivering Registers of Scotland's commitment to Scottish Ministers to complete the land register within 10 years. His team co-ordinates all land register completion activity including policy development, stakeholder engagement, and the registration process for first, voluntary, and keeper-induced registrations. Charles is a member of the organisation's executive management team. [Charles.Keegan@ros.gov.uk](mailto:Charles.Keegan@ros.gov.uk)*

Registers of Scotland's Charles Keegan outlines Scotland's land register completion programme and what it means for landowning public sector bodies. "Particularly for owners of large and complex property holdings, which very often includes public bodies like local authorities, moving to the land register makes asset management much simpler."

## Scotland's land registers

Scotland's system of land registration dates back to 1617, and is separate to the registers kept in the rest of the UK. Registers relating to land and property are compiled and maintained by Registers of Scotland (RoS), a self-funded, non-ministerial department of the Scottish Government.

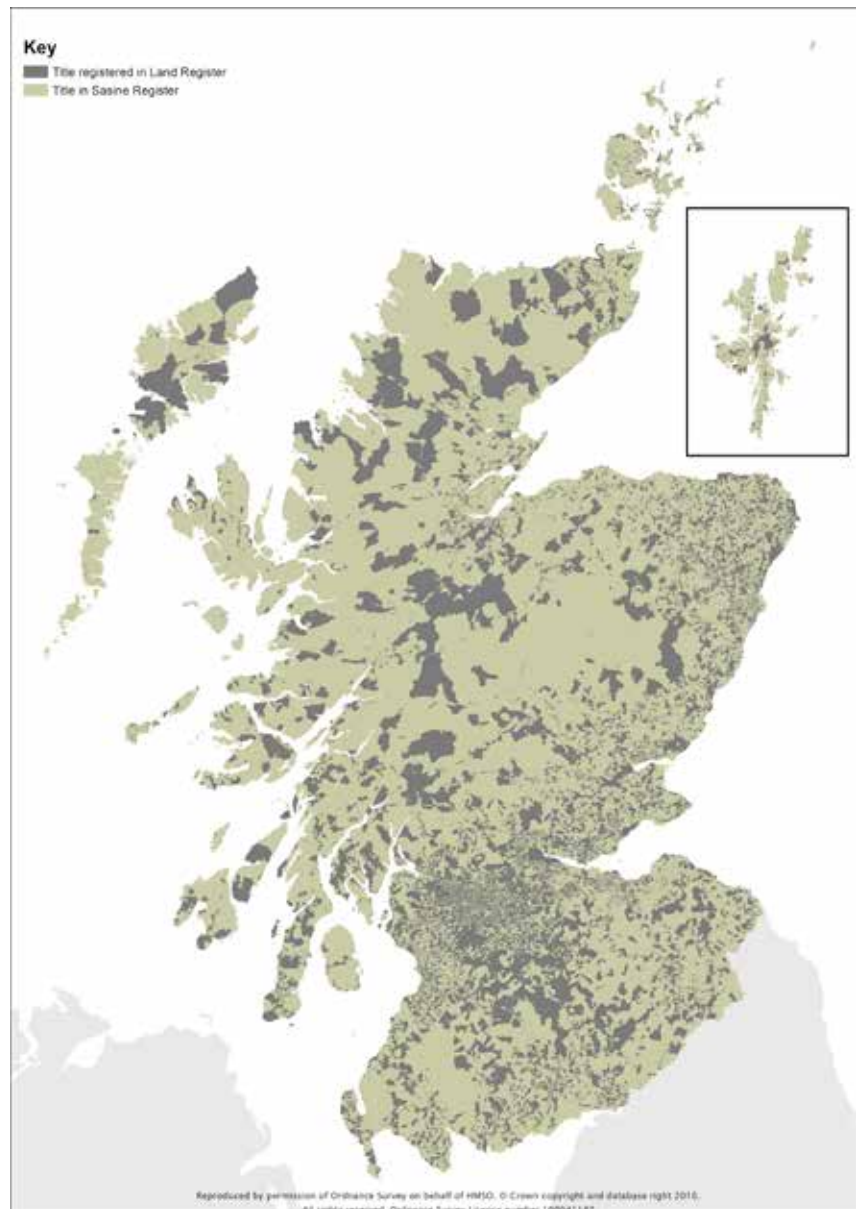
Since the establishment of the Scottish Parliament in 1999, there has been extensive debate on land reform and the question of who owns Scotland's land. There is currently a public consultation from the Scottish Government on improving transparency in land ownership in Scotland and establishing a register of controlling interests in land.

Currently there are 2 land registers in operation: the historic deeds-based General Register of Sasines and the more modern, map-based Land Register which was established through an Act of Parliament in 1979.

At present, the majority of Scotland's land and property ownership is recorded on either one of these registers, with titles currently being added from the old sasine register onto the land register through routine trigger events, such as a sale. It took 22 years for all of Scotland's counties to be added to the land register and at present around 60% of Scotland's land and property titles are on the land register, equating to around just under 30% of land mass.

Scottish Ministers have now asked RoS to accelerate completion of the land register by moving over all remaining titles in the sasine register. This will ensure all land and property owners have the same state-backed guarantee of title.

The sasine register celebrates its 400th anniversary next year, making it the world's oldest national register of land ownership. The advantages of the publicly accessible, digital land register over the 17th century sasine register are clear. A completed land register will be a national asset for Scotland, making property transactions easier, faster and



cheaper. It will be easily searchable online, making land ownership much more transparent.

Once complete, the land register will also form the base layer of ScotLIS, a new online land information hub for Scotland, available from late 2017. RoS is also leading the development of this project: as well as the title layer from the land register, over time there will be data from other RoS registers, from local authorities and other public bodies. The focus initially will be on providing data and search functionality to support property transactions.

### Completing the land register

The Scottish Government passed the Land Registration etc. (Scotland) Act 2012 to provide the statutory

framework to speed up the completion of the land register. This once-in-a-generation legislative change included a series of new mechanisms by which property titles can be transferred from the old register to the new.

When tasking RoS to accelerate land register completion in May 2014, Scottish Ministers set a deadline of 2024 to achieve the goal, with a plan for public bodies to lead by example and register all their land and property holdings by 2019. Public bodies own a significant proportion of Scotland's land mass, around 11%, so they have a key role to play in helping achieve the goal of completing the land register.





## ***A new trigger***

Among the new mechanisms created by the 2012 Act is an additional trigger. On 1 April 2016, the sasine register closed to standard securities, meaning that new borrowing with a new lender triggers a move to the land register. It's expected that this change will affect a fairly small number of properties – probably 4,000 to 5,000 p.a.

## ***Keeper-induced registration***

The 2012 Act also enabled RoS to move titles onto the land register without an application from the owner. 'Keeper-induced registration', or KIR, will ultimately add up to 700,000 property titles to the land register but initially, it will be utilised in urban, residential areas where RoS already holds extensive information about titles and the rights and burdens that relate to them.

Live KIR pilots will start later this year in different parts of Scotland, with a full roll-out beginning next year. Using this process to add titles that would be unlikely to move from the sasine register anytime soon means that every home owner in Scotland will benefit from the same warranty of ownership that a land register title brings.

## ***Voluntary registration***

Voluntary registration will play a key part in completing the land register. The option for landowners to voluntarily register their titles is not new, but the process is now more streamlined. RoS is offering a 25% discount on voluntary registration fees

to encourage landowners to bring forward applications.

A dedicated team of advisors within RoS has been established to work with landowners in the public and private sectors to encourage voluntary registration and to start them on the road to submitting applications to the register. The team has travelled more than 22,000 miles across Scotland to meet with landowners and their professional representatives. As well as private landowners, we've engaged with around 200 public sector organisations, who between them account for around 300,000 property titles.

There is a great deal of support among public and private sector landowners for the land register completion programme, and broad consensus on the benefits of having titles on the land register. Particularly for owners of large and complex property holdings, which very often includes public bodies like local authorities, moving to the land register makes asset management much simpler. With all title information in one place, buying and selling property will become quicker and cheaper, and surplus land more commercially viable.

Voluntary registration allows landowners to clarify the exact boundaries of their property, providing protection against claims of adverse possession. Since title holders determine the pace at which they prepare applications to the land register, they can also control the process, using their own expert knowledge of their title deeds.

Mapping is central to the registration process, which requires descriptive title deeds to be translated into map form. Many landowners have found the mapping beneficial in itself, as voluntary registration is often the first time that a property has ever been mapped. Once their registration is complete, owners can view their titles on the land register quickly and securely online and the process will only have to be repeated if there's a material change to land holdings, for example selling off a piece of land.

## ***Registers of Scotland services***

Land register completion requires close collaboration between RoS, public and private sector landowners, and the professionals who represent them. This level of engagement has allowed RoS to work with stakeholders, and identify any issues they may have encountered and provide solutions where possible. This has included providing new products and services to support the voluntary registration process.

Title information on the sasine register can be complex, especially for large landholdings with multiple titles. RoS has brought in a new plans assistance service which can interpret this information, using expert knowledge to prepare a plan suitable for registration and to highlight any problems in defining a property's extent.

## ***Continuing collaboration***

RoS' engagement with public sector organisations is beginning to lead to bodies bringing forward voluntary registrations, and applications have already been received from a variety of bodies, including local authorities, the Scottish Fire and Rescue Service, the Scottish Prison Service and the Ministry of Defence, with lots more in the pipeline.

If you would like more information on land register completion, please visit [www.ros.gov.uk/lrc](http://www.ros.gov.uk/lrc) or contact the team at [LRCCompletion@ros.gov.uk](mailto:LRCCompletion@ros.gov.uk)

## Case study: Inverness Town House

Sharon Wares, solicitor at Highland Council, describes her experience of voluntary registration: "We recently voluntarily registered Highland Council's historic and very beautiful Town House. I was concerned about the Town House titles being old, with written descriptions, but the application went very smoothly and quickly.

The Town House is an urban property of historical note, so there was a lot of background architectural history available. In particular, I was able to access information about additional buildings that had been added to the original Town House, which matched the additional land titles from different periods.

We had an impetus for the voluntary registration in that it helped us meet the conditions for a Historic Environment Scotland grant for works to the building.

I think the benefits of moving all of our titles from the sasine register to the land register would be huge for Highland Council. We don't currently have all the council's titles mapped on a GIS system, so having them on the land register would help with land management, including land assembly, queries on titles, and protecting land from encroachment. Once the titles



Inverness Town House

are on the land register, conveyancing will be faster, easier and more efficient. For me, this has been one of the most interesting pieces of work I have ever done, and I'm sure it will make it much easier to deal with the title in the future.

I think other public sector landowners should definitely consider voluntary registration."

### General Register House

National Records of Scotland is the first public body to register its entire estate, including the striking General Register House on Edinburgh's Princes Street.

General Register House is one of the oldest custom-built archive buildings

still in use in the world, commissioned after it was recognised in the mid-18th century that Scotland's archives needed a 'proper repository', and opened to the public in 1789. Today, National Records of Scotland holds information spanning the 12th to the 21st centuries, touching on virtually every aspect of Scottish life.

Tim Ellis, the Keeper of the Records of Scotland, said: "National Records of Scotland produces and preserves information that tells the story of our nation, so it is fitting that we're the first public body to add all our property to this new register which will make it clear who owns Scotland."



The Keeper of the Registers of Scotland, Sheenagh Adams, and Tim Ellis exchanging the ownership title sheet for General Register House



# DRC VALUATION ISSUES

Michael Gilbert FRICS

*Michael is a director of KEL Computing Limited, a company that since 1985 has specialised in property valuation software. jonathan@kel.co.uk*

Michael at Kel discusses some of the approaches taken by valuers using the DRC method of valuation. Some of his findings are a little concerning for consistency of approach.

## Introduction

When valuing properties using capitalisation, Discounted Cash Flow or the residual method, it is usual to see small variations in approach but we are unlikely to encounter any fundamental differences. And at the end of the day we can always refer back to the marketplace to justify or validate our decisions. Since there is no such comparison for properties valued using Depreciated Replacement Cost (DRC), it's not surprising therefore to find widespread variations in approach.

Having never valued a property using DRC methodology it might seem strange that I'm writing an article on the subject; however, in my current role designing valuation software I've encountered and discussed numerous approaches that valuers around the country have taken and are still taking, so rather than advise, I'll be revealing what others are actually doing, without of course disclosing any names. Depreciation rates and life expectancy of buildings or components are of course matters of valuers' judgement so will not be discussed.

## GIA and construction rates

The traditional and most common approach to be found uses little more than these 2 factors. Subject to RICS guidelines, Gross Internal Area (GIA) can be measured reliably. We can obtain

recent cost of construction data either from quantity surveyors or via RICS Building Cost Information Service (BCIS), using regional adjustments. So these are arguably the closest we can come to reflect the real world, subject to any fine tuning to take into account components that depreciate at a different rate to the main building.

CIPFA guidelines state that we should assume "instant build" for DRC valuations, whether for a shed or a very large building. Most valuers adhere to that instruction but I'll say more below under "Inflation/finance".

## Components

The approach to components is where we are likely to encounter the first calculation differences. A "significant" component is defined both by CIPFA and the RICS as "having a significant cost in relation to the total cost of the building", which leaves itself open to a wide range of interpretations. Nevertheless, some valuers use a fixed sum to determine significance. I've seen all components under £5m being disregarded as not significant and ones over £500,000 included as significant, irrespective of the replacement cost of the buildings.

Do "significant" components directly impact the Net Current Replacement Cost (NRC) of the building or has that factor already been taken into account in our initial assumptions about building cost and depreciation? I've encountered these alternatives:

- a. Apply construction rates for the buildings including components, calculate the building's NRC and re-

port separately on the depreciated value of any significant components

- b. Assume construction rates for the buildings that exclude significant components and add a figure to the NRC for each building to reflect any significant and depreciated components
- c. Apply construction rates for the buildings including components and use templates, according to the type of building, that apportion 100% of the cost as components. For example, between sub-structure, structure, M&E, roof and finishes. Components are then depreciated accordingly
- d. Apply construction rates and calculate NRC for each component and assume that every building is the sum of its components. Using this model some valuers can include more than 20 components per building.

## Inflation/finance

Inflation and/or finance costs are generally used in valuation methodologies to reflect the passage of time and the opportunity cost of funds tied up in construction. Further, the RICS Valuation Information Paper 10 (VIP10) argues that, "finance costs, taking into account the likely pattern of payment" should be taken into account. Nevertheless, most valuers assume "instant build", and so disregard these factors for DRC valuations. Where finance is applied it has more often been used as an adjustment to the construction cost rate. I have encountered only 1



valuer in recent years who has argued for adjusting the total Gross Replacement Cost (GRC) to reflect directly the cost of finance.

### **Modern Equivalent Asset**

VIP10 advises the use of Modern Equivalent Asset (MEA) in all DRC valuations; nevertheless a majority of valuers I've encountered only use it for schools. Schools are the only type of building for which there are published MEA guidelines – Department for Education (DfE) Building Bulletin 103. The guideline suggests minimum and maximum building and playing field sizes depending on the number of students. I've heard it argued that for other types of building there is no certain way to determine, with any reliability, what size the building would have been if erected today.

When using MEA for schools together with DfE guidelines, there are of course likely to be changes in value, from year to year, depending on the number of attendees as well as the normal cost factors.

### **Land**

Where the property includes land not being used for the primary purpose of

the building(s), should it be included in the value? This issue will be particularly acute where the land has development potential. I've encountered strongly held views both ways.

An added complication is where there are school playing fields that might be developed. It is possible to encounter these alternative approaches:

- a. including playing fields using their actual size
- b. including playing fields using the DfE guidelines
- c. including playing fields taking into account development potential, or
- d. excluding the playing fields (because they have an alternative use).

### **External works**

The alternatives here can reflect valuers' preferences as much as the circumstances of the property. While it may not be difficult to assess their GRC and then adjust for depreciation, many valuers apply a percentage of total property GRC.

### **Conclusion (it's about consistency)**

Larger portfolios of operational properties are these days generally valued using specialised software, which offers greater efficiency, reliability and consistency compared to spreadsheets. Over time I've discovered a new and less expected challenge to DRC software design; when an authority changes its valuers, the new valuer may choose to change the valuation methodology. So DRC software now needs to be able to re-value properties using different methodologies, without having to re-enter all the data.

I've also noticed that, depending on the authority, acceptable valuation methodology can sometimes be determined by the valuer, the authority and/or its auditor.

We have seen that DRC valuations can be heavily dependent on the method applied. Until or unless one of the professional bodies comes up with clear unambiguous guidelines, we can expect that significant differences in DRC valuation methodology will continue, with the inevitable impact on consistency between authorities.

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# COMPULSORY PURCHASE AND COMPENSATION UPDATE 2016 – PROPOSALS FOR FURTHER REFORM

Gary Sams

Gary has here produced his comprehensive annual summary of changes and proposed changes in the CPO and compensation world, often adding insights into the benefits and disbenefits of some of the proposals.

*Gary is the Principal Estates Surveyor at Fylde Borough Council. He is a visiting lecturer for the College of Estate Management and part time lecturer at Reading University in his specialist field of compulsory purchase and compensation. He is editor and joint author of "Statutory Valuations" and joint author of "Modern Methods of Valuation". He is also a legal editor of "The Journal of Property Valuation and Investment" for which he contributes regular papers on recent compulsory purchase case law*

## Introduction

After many years of complaints about the unfairness of the compensation code, and the seeming disinterest of the government in doing anything about it, the government finally seems to be getting its act in place and we are seeing a flood of reforms. The first batch of these was hidden away in the Localism Act 2011 and in 2014 we saw another set of amendments particularly targeted at HS2. There were then the mainly procedural changes still going through parliament in the Housing and Planning Bill.

Most recently in March 2016, the Department for Communities and Local Government (DCLG) commenced consultation on a further round of reforms, this time including changes to the way compensation is assessed as well as a couple of further technical amendments. The reforms still fall well short of the comprehensive re-writing of the compensation code, which is almost universally accepted as being required, but the government brings out its usual excuse that 'a full scale consolidation would take considerable time and need significant resources to complete. Given the pressing need to ensure that compulsory purchase can more effectively support the delivery of the government's housing, regeneration and

infrastructure objectives, we propose to take forward these reforms'. In this article I will outline these proposed reforms and provide some commentary.

## Market value in a no-scheme world

In assessing compensation for compulsory purchase, it is essential to leave out of account any impact on value, positive or negative, of the scheme. If the scheme is a sewage works, the negative effect of the nature of the scheme must not be allowed to influence compensation for properties acquired. If the scheme is a by-pass, the positive effect on agricultural land which suddenly becomes ripe for development should also be left out of account. The theory is simple but putting it into practice is much more difficult. Should the valuer ignore the scheme by assuming it has never been thought of and imagining what might have happened to planning policies and nearby land in the period (sometimes decades) from scheme conception to completion? In the words of Lord Denning should he 'conjure up a land of make believe and let his imagination take flight to the clouds'? Alternatively, should the scheme be ignored by assuming it was cancelled just before the valuation date? Much simpler, but this approach fails truly

to leave the scheme out of account, because development in the locality and planning policies may have been very different if there had never been the prospect of a scheme.

The Localism Act 2011 brought clarity to this thorny problem by coming down on the side of cancellation, preferring clarity and simplicity to fairness. However, that is not the only problem – for example, is the scheme to disregard only what happens within the CPO under which the claimant's land is acquired, or is that CPO just one of many which have a single overriding objective or 'scheme'.

Clearly unsatisfied with the 2011 patch, the DCLG has gone back to the 2003 Law Commission report 'Towards a Compulsory Purchase Code' which the then government rejected in 2005 as requiring too much parliamentary time.

The 2003 report proposed a completely new code, which it called rule 13, for establishing a no-scheme world adopting the following principles:

"(1) All previous rules, statutory or judge-made, relating to disregard of "the scheme" will cease to have effect.

Defining the project

(2) In this Code, "the statutory project"

means the project, for a purpose to be carried out in the exercise of a statutory function, for which the authority has been authorised to acquire the subject land.

(3) In cases of dispute, the area of the statutory project shall be determined by the Tribunal as a question of fact, subject to the following:

(a) The statutory project shall be taken to be the implementation of the authorised purpose within the area of the compulsory purchase order, save to the extent that it is shown (by either party) that it is part of a larger project;

(b) Save by agreement or in special circumstances, the Tribunal shall not permit the authority to advance evidence of a larger project, other than one defined in the compulsory purchase order or the documents published with it.

“Disregarding the project

(4) In valuing the subject land at the valuation date: (a) it shall be assumed that the statutory project has been cancelled on [the launch] date; and (b) the following matters shall be disregarded: (i) the effects of any action previously taken (including acquisition of any land, and any development or works) by a public authority, wholly or mainly for the purpose of the statutory project; (ii) the prospect of the same, or any other project to meet the same or substantially the same need, being carried out in the exercise of a statutory function, or by the exercise of compulsory powers.

(5) Sub-rule (4) does not require or authorise (save to the extent specified in (b)) consideration of whether events or circumstances at any time (before or after the [launch] date) would have been different in the absence of the statutory project.”

Taking these proposals as a starting point the DCLG adds the following 3 points:

“(i) if adopted, there would be a presumption that the project is limited to the area of the compulsory purchase order but the acquiring

authority could make the case for a wider statutory project for valuation purposes (i.e. the scheme that is to be disregarded) which could be larger than the area covered by that particular compulsory purchase order. This would however need to be done at the outset when making the order.

The extent of the wider project may be obvious in many cases, for example where the acquiring authority is only purchasing the few remaining interests in an estate regeneration scheme which itself is of wider geographical area. In other cases, land may be linked to the scheme land but in a less obvious way, such as land needed for compensatory habitat replacement. Putting Rule 13(3) into statutory form would provide a clear basis for the acquiring authority to identify at the outset that the linked land was part of a larger project potentially avoiding grounds for disputes over valuation. When identifying a scheme for the purposes of valuation that extends wider than the land to be taken by the compulsory purchase order, the acquiring authority would need to set out clear policy objectives behind the proposal to support its justification for making the compulsory purchase order.

(ii) there may be some loss of flexibility if Rule 13 were adopted. Currently it is a question of fact for the Lands Chamber to decide what ‘the scheme’ includes which provides some flexibility in the system and the Lands Chamber has considerable latitude to determine what amounts to ‘fair compensation’ in any given case. Although there may be less flexibility we believe the benefit of having a clear approach set out in statute outweighs this potential concern.

(iii) the Law Commission recommended that the cancellation date should be the valuation date. We propose that the cancellation date should be the ‘launch date’ (i.e. the date the compulsory purchase order notices were issued) in order to be consistent with section 14 Land Compensation Act 1961 (as substituted by section 232 Localism Act 2011) which sets out how to take account of actual or prospective planning permissions in assessing the value of land.”

The proposal is therefore a compromise of ignoring the scheme by assuming it has just been cancelled, but also ignoring any action or development which has already taken place in pursuance of the same scheme. I doubt this will go far towards tackling the inherent unfairness in the cancellation approach but compared to Lord Denning’s ‘cloud cuckoo land’ approach it is probably the lesser of the 2 evils.

I intend to take some credit for one of the other proposals. The original Law Commission suggestion that the scheme would be defined as simply whatever was to happen on land included in the same CPO is the land of the claimant. I pointed out in my response to the consultation paper that this could lead to gross unfairness. For example, where a by-pass is to be built and causes a reduction in the value of nearby houses, fairness can only be achieved by leaving out of account the by-pass as a whole, even if land was acquired through a number of separate CPOs. Indeed, an unscrupulous acquiring authority would be well advised to make as many CPOs as possible when acquiring houses for the scheme – that way, compensation paid for each house would have regard to the fact that a noisy and unsightly by-pass is to be built and would ignore only that part of the by-pass to be built on land in the same CPO. On the other hand, where a scheme has a positive effect on values it would be advantageous for the authority to ensure all land acquisition is in a single CPO so that no increase in value due to the scheme can be taken into account.

In fairness I doubt I was the only one to spot this fairly obvious issue, but the Law Commission did address it in its final paper, and the DCLG adds further amendments. However, I do have a concern that the DCLG amendments may reverse the benefits achieved by the earlier ones. The DCLG refers only to allowing the acquiring authority to define the scheme as something wider than the subject CPO. It is not clear to me whether it has forgotten the need to give a similar right to the claimant, or whether its comments are additional to the original ones which do make that point.

## ***Extending the definition of 'the scheme'***

Very much following on from the above reforms, the DCLG proposes that 'the scheme' will not always be limited to whatever takes place within the same CPO. It identifies a problem where a regeneration scheme is made viable by transport infrastructure works. When acquiring land for the regeneration scheme, the acquiring authority will have to pay a price which will be inflated as a result of the transport works.

The proposal is to allow the transport scheme to be treated as part of the scheme and any increase in value as a result of it left out of account. The landowner will receive less compensation but the public purse will not have to pay a sum which has been increased directly as a result of other public works.

I would agree that this is a sound proposal but I would highlight 2 issues. Firstly, this reform will apply only in very specific circumstances, but there are many other circumstances in which works are carried out in harmony by public bodies under separate CPO powers. Why should this reform apply only in the very narrow set of circumstances outlined, and not in other scenarios where works by one public authority facilitate a scheme by another? Secondly, it is true that if the claimant will otherwise benefit financially from the transport scheme, then so will everyone else who owns property in that locality. Having been unfortunate enough to have his property compulsorily purchased, why should the claimant have the additional insult of being the only landowner in the locality not to benefit from the transport scheme? The DCLG acknowledges the first of these issues by asking as part of the consultation, 'Should other types of infrastructure schemes also be included within an extended definition of the statutory project?'

## ***Mayoral development corporations***

An uncontroversial proposal is to put mayoral development corporations on the same footing as new town and urban development corporations.

## ***Review of the 'Bishopsgate' principle***

The case of Bishopsgate Space Management v London Underground (2004) 2 EGLR 175 considered compensation for disturbance for claimants who qualify under s20 Compulsory Purchase Act 1965, i.e. claimants who have a minor tenancy such as a periodic tenancy. It decided that compensation should be assessed on the assumption that the landlord will terminate the tenancy at the earliest possible date, whether that would happen in reality or not. This is at odds with the right to disturbance payable to tenants with a lease (under s5, rule 6, of the Land Compensation Act 1961), who are entitled to compensation having regard not only to the unexpired term of the lease but also to their rights of renewal under the Landlord and Tenant Act 1954. However, and more surprisingly, it also gives an inferior right to claimants with only a right of lawful possession of land (e.g. licensees). Under s38(2) 1973 Land Compensation Act, these claimants are entitled to disturbance compensation having regard 'to the period for which the land occupied by the claimant might reasonably have been expected to be available for the purpose of his trade or business'.

The proposal is that claimants under s20 would have the same right to those qualifying under s38, which can only be right.

## ***Reverse of loss payments to owners and occupiers***

Sections 33A-33F of the Land Compensation Act 1973 provide for loss payments to be made to owners and occupiers of land to be compulsorily acquired. These payments are in acknowledgement of the fact that a party is displaced from property against their will. The loss payments are in 2 parts – the basic loss payment and the occupier's loss payment. The basic loss payment is available to owners with an interest in the land. The occupier's loss payment is only available to those in occupation of all or part of the land. Owner-occupiers therefore, receive both parts.

The basic loss payment is 7.5% of the value of the owner's interest and the occupier's is a minimum of 2.5%. The value of the tenant's interest is often minimal so, if higher, the occupier can use an alternative calculation based on a complex formula at an amount per square metre and involving a 'buildings amount' and a 'land amount'. The 75/25% apportionment has been questioned since the time it was introduced, on the basis that it is the occupier whose occupation is disturbed and who has to close down his business or relocate, whereas the owner simply loses a financial investment.

The proposal is to reverse this apportionment so it is the occupier who receives 7.5% of the value of his interest and the owner 2.5%. There are also plans to simplify the calculation of the buildings amount which is an alternative method of calculation of occupier's loss payments.

I have strong concerns about this proposal, though I am sure that acquiring authorities will be delighted because the loss payments are based on the value of the claimant's interest in land, which will be much higher for owners than for occupiers. An owner is entitled to a loss payment based on the full value of the building or something close to it. Any value in the occupier's interest is likely to be no more than a modest profit rent which will end at the next rent review. It seems to me that investment property owners are already badly served by the compensation code (they do not qualify to claim disturbance) and have as much right as anyone to a loss payment to reflect the fact that they are being deprived of their property against their will. Any unfairness to occupiers is unlikely to be helped by giving them 7.5% of a minimal sum, instead of 2.5%. A better approach may be to increase the payment based on a land amount and a buildings amount.

## ***Penal interest rates to enforce the making of advanced payments***

It is proposed to introduce penal interest rates of 8% above base rate as a sanction against acquiring authorities who are

late in making advance payments. No evidence is produced to suggest this is a widespread problem, nor is the word 'late' defined, but I doubt even acquiring authorities would argue that this change is not justified in appropriate circumstances.

### **Statutory blight**

One of the qualifying rules for acceptance of a blight notice is that it will only apply to properties below a specified rateable value limit (currently £34,800). This is a particular problem in Greater London where a high proportion of commercial properties exceeds this limit. The proposal is to increase the RV limit for properties in London. The only surprise here is that there is not already a differential rate for London.

### **Repeal of s15(1) of the Land Compensation Act 1961**

This is another reform for which I am going to try and claim some credit. I have argued long and hard that, for the most part, the planning assumptions are unnecessary. If they did not exist you would do what you do in the real world – such as checking the local plan, looking at the planning history and having regard to any hope value for development now or in the future. Only s17 is useful as, if the acquiring authority and claimant are unable to agree on the development potential, the claimant can apply for a certificate stating what development would be permitted.

By setting out in sections 14 to 17 of the Land Compensation Act the planning assumptions you are required to make, you will, at best, force yourself to do what you would have done anyway. At worst, you could find yourself assuming planning permission for development which would not be permitted in the real world, and therefore pay artificially high compensation.

The proposal is, for the very reason that it is unnecessary, to repeal s15 which requires the assumption that planning permission will be granted for development in accordance with the proposals of the acquiring authority. Section 15 is a classic example of the problem I have outlined. It is very

difficult to envisage circumstances in which an acquiring authority could get planning permission for development, and the claimant could not. It therefore forces an assumption you would have made anyway, but runs the risk of forcing, in exceptional circumstances, an unrealistic assumed planning permission. Section 16 has already been repealed so once this goes through we only have s14 to dispose of!

### **Repeal of Part 4 of the Land Compensation Act 1961**

This reform is a logical extension of the gradual repeal of the planning assumptions. Another of their problems is the fact that they are assumptions, rather than probabilities. Therefore, if you believe there is a 60% chance that planning permission would be granted for housing development, you assume planning permission has been granted and value the land for housing. In the real world, of course, you would value the land as it is, with a 60% hope value for housing development.

Part 4 only exists because of the artificial certainty required by planning assumptions. It requires that in certain circumstances, if the scheme for which the land was acquired changes and a more valuable planning permission is granted within 10 years, the claimant is entitled to additional compensation, as the original settlement was arrived at on an incorrect basis.

The very existence of this provision is an affront to a market based approach to assessing compensation. In the market you would value land at the valuation date, having regard to the extent to which there is potential for development now or in the future. Only in the artificial world of compulsory purchase are you required to assume that the possibility of development is a certainty, and revisit the valuation if events over the next 10 years indicate that the planning assumptions made were incorrect. This repeal is to be welcomed as part of a move away from artificial planning assumptions and towards a market based approach.

### **Compulsory purchase orders for joint purposes**

We now move on from compensation reforms to consider briefly the procedural changes.

This reform is intended to increase housing development on surplus or underused public sector land. When authorities such as Transport for London promote CPOs, there is often an opportunity to undertake regeneration projects on the back of the new transport infrastructure. However, the transport authority only has CPO powers in respect of transport functions, so any regeneration scheme must be promoted by a separate authority under a separate CPO.

In order to:

- a. make it easier to bring forward comprehensive development schemes
- b. significantly speed up the development process
- c. reduce the administrative burden by bringing forward one compulsory purchase order instead of 2, and
- d. reduce confusion for claimants and third parties by having a single compulsory purchase order,

it is proposed to allow the Greater London Authority and Transport for London to promote a joint compulsory purchase order and also to apply the change to new combined authorities with mayors.

My only concern here is that the reform appears very narrowly worded and, if it is necessary, it should apply to joint CPOs generally rather than to specific public authorities.

### **Making provision for temporary possession**

Acquiring authorities may need to use land on a temporary basis: for example, to store materials needed for the development which is the subject of the compulsory purchase order. However,



compulsory purchase orders can only authorise the permanent acquisition of land or the acquisition of permanent new rights. This welcome change will allow acquiring authorities to use their CPO powers to acquire temporary rights over land.

### **New legislative requirement to bring orders into operation**

Once a CPO is confirmed, there is no time limit for proceeding with it by publishing the notice of confirmation. This can leave claimants in a period of

prolonged uncertainty and it is therefore proposed to introduce a time limit of 6 weeks for publication. From my own experience in local government I would only comment that, with committee cycles to consider, 6 weeks may be unnecessarily punitive.



David submitted this thought-provoking and sometimes hard-hitting piece to me a few months ago. How do you properly measure the social benefit of public sector activities without reducing comparative measures into monetary terms?

## MEASURING AND DECLARING SOCIAL DIVIDENDS – A PLEA FOR SIMPLIITY

David Garnett

*David is a university teacher and researcher. He has written extensively on housing policy and social justice and has acted as a consultant to a number of housing organisations in the UK and overseas. He is a passionate campaigner for affordable housing and local employment opportunities. He believes that, whenever possible, housing agencies such as local authorities and housing associations, should support local businesses and work to help local communities to become safe and prosperous places in which to live and work.*

*He has spent most of his working life as a researcher, writer and teacher in the field of the built environment, specialising in housing economics and finance. He has acted as chairman to a number of community organisations, including 2 housing associations. david.garnett@btinternet.com*

### **Abstract**

As politicians push for comparative measures of value-for-money outcomes from public funds and a consulting industry emerges around the topic of how to value social returns, there is a danger that some form of standardised method of measurement will be imposed on agencies. The particular danger is that such a model would be expensive and unnecessarily complex to manage. What is needed is an appropriate and proportionate approach that focuses on corporate objectives rather than on generalised economic theory. There is no issue about the need to declare a social dividend: the case for every major service provider doing so is overwhelming - the problem centres

on questions of proportionality and conformity.

### **Context**

In the public and voluntary sectors statistics relating to the direct economic costs and outputs of service providers are easy enough to find and understand, but information regarding the social returns generated by such agencies is more opaque. Perceived difficulties in measuring intangible benefits have led many such agencies to avoid the 'problem' of declaring a social dividend.

Embedded in the notions of 'public service' and 'not-for-profit' is an implied assumption that generating a social return is an integral aspect of the

organisation's mission. Although many agencies such as those providing health care, environmental protection and housing services, make it clear that the generation of social returns is a key aspect of their business function, practitioners in these fields remain ambivalent about the issue of measurement. In particular, they fear the introduction of an expensive and unnecessarily bureaucratic approach that prioritises conformity of practice between agencies over the internal managerial coherence within agencies.

### **The background**

At the heart of the measurement 'problem' is the fact that although many social returns are real, they are intangible, difficult to measure

and their receipt is directed at external interests (such as the wider community). Furthermore, many of the benefits are not received quickly but spread over the economic life of the debt generated to create them. By contrast, the investment needed to generate them is usually front-loaded, comes from one identifiable source, is tangible and can be measured precisely. This contrast between clear measurable costs and uncertain intangible benefits has resulted in a poor understanding of the social benefits of investment. This in turn has acted as a disincentive to invest in socially beneficial activities: as the old management adage has it – “What counts is what gets counted”.

A significant amount of work has already been produced by credible consultancy organisations and a number of service providers are in the process of piloting methods of calculating the social returns generated by their investments of time, talent and money. The issue is not “whether or not” service providers should measure the social value they create, but “how to do it”.

Social Returns on Investment (SROI) is an analytic tool developed by the New Economics Foundation to account for (and measure) a broader area of value outcomes than is captured by traditional economic calculations. In particular, it seeks to take into account the social, economic and environmental consequences of economic activity. Its key feature is that it values outcomes by using financial proxies so that value-for-money decisions can be made using monetary measures. Its application can demonstrate to potential funders and internal decision-makers that when social returns are taken into account, a proposed investment can have a multiplier effect on economic growth, generate welfare improvements and in many cases, bring about future cost savings for the organisation.

The measurement of social returns will always largely be a matter of judgement. Current techniques are designed to provide a transparent, clearly targeted and reasoned case for the calculation that does not make

exaggerated claims. With the help of consultants, various economic methods for identifying and quantifying social returns are currently being developed by a number of health and housing agencies. The Housing Associations’ Charitable Trust (HACT), for example, is currently experimenting with a model similar to that of the New Economics Foundation. This approach is more closely focused on quantifying the social impact of community investment and seeks to measure social returns in terms of enhancements in ‘wellbeing’.

How best to take account of social value is now a real issue across Europe and is a topic of concern in all sectors of the economy. Commercial, public, voluntary and charitable organisations of all kinds and sizes are seeking appropriate methods of measuring the social impact of their activities as a means of building or maintaining competitive advantage in terms of market positioning, customer loyalty, government support, and public opinion. However, the social value debate throws up yet-to-be-resolved questions about the nature and scope of how to monitor and measure such returns at the level of the individual organisation.

### ***The problem***

In the context of the current debate, a real and present danger now exists. This danger stems from the existence of forces that could place unnecessary administrative burdens on organisations already struggling to respond to changes in economic conditions, client expectations and legal obligations. In short, there is a danger that the requirement to identify and quantify social returns will result in new monitoring and reporting obligations that are unnecessarily complicated and disproportionately expensive to administer.

Four linked forces are currently pushing organisations towards what might turn out to be inappropriate practices: (i) the desire to extend regulation; (ii) the assumed benefits of conformity; (iii) the desire to monetise outcomes; (iv) the interests of consultants.

One of the great hypocrisies of public life is the tendency of governments to extend central control over regulated service providers, while at the same time declaring a commitment to deregulate, reduce the burden of red tape and embrace the principle of subsidiarity. (that argues that only those functions that cannot be provided locally should be taken on by the central authorities). Experience indicates that the desire of central authorities to influence the behaviour of publicly funded agencies is deep-seated. This tendency stems partly from a perceived need to control public spending and to guarantee value-for-money from such spending, and partly from a desire to direct the work of social agencies to achieve political ends.

The general trend towards increasing central control has brought in its wake particular attitudes towards the question of “how” social returns should be measured. Two questionable ideas have emerged. The first is that there is a need to establish a high degree of conformity of practice between agencies. The 2nd, linked to the first, is that outcome values should be monetised. These 2 requirements are rationalised by referencing the need for regulators to make performance comparisons between service providers.

Current accounting consistency across any particular economic sector or industry is managed by reference to a Statement of Recommended Practice (SORP). To ensure a degree of consistency across national barriers, the SORPs take some account of international practices – but their intention is to provide recommendations for how accounts should be kept, how financial reports should be presented and how to account for nationally focused, sector specific transactions.

Across the European Union, momentum is building for increased legislative and regulatory requirements with regards to the identification and measurement of social value. As there does not yet exist an agreed approach to the measurement of social returns

that is equivalent to those used by the International Accounting Standards Board (IASB), the question arises about whether an equivalent 'hard' standard is necessary or advisable. It is perhaps understandable that "the Establishment" (in the form of politicians, regulators, civil servants and the accountancy profession) see the need to look to the IASB approach as a model for social accounting arrangements.

### **Current trends**

Currently, within the 4 national regions of the UK, there is a diversity of approaches to the legal and regulatory requirements in this field. All 4 arrangements, however, operate within an emerging European framework. This framework currently centres on the EU's Single Market Act II 43 that places an emphasis on the 'social economy' of the Union. In his report for HouseMark, Professor Richard Tomlins comments that, "There is a clear message from the European Commission that voluntary approaches to accounting for social value have not had significant success and housing providers should expect further legislation if its appetite for the generation of social value is not satisfied" (p14).

To date, in 3 of the 4 national regions, government focus has been on commissioning and procurement practices – illustrated by the provisions of The Public Services (Social Value) Act 2012 for England and Wales (and its subsequent review by the Young Report), the publication of the Welsh Procurement Policy documents, and the Procurement Reform (Scotland) Act 2014. These measures, together with their various 'toolkits', concentrate on the social value that can be achieved by developing local economic networks. It is, however, clear that more general legislation and regulatory compliance rules are under consideration. Already, as part of the drive to encourage the creation of social returns, regulators are placing greater emphasis on the notion of "best value" in their VFM assessments. Best value organisations are those that commit to achieve the optimum returns (including social returns) from their investments rather than simply those

prescribed by rules and regulations (See Garnett (2015) A-Z of Housing for discussion of 'best value', pp202-8).

What both the SROI and HACT approaches have in common is an attempt to present social and wellbeing benefits in the form of cash calculations. The logic of this approach is broadly 2-fold. Firstly, it reduces a wide variety of social outcomes to a common measure and this makes it easier to determine investment priorities. Secondly, it gives the appearance of concreteness and precision, thereby reassuring boards of management, potential investors, and politicians that the organisation is contributing real social value to the communities in which it operates.

Once a particular measurement system becomes accepted (fashionable), history tells us that it will provide opportunities for consultants to earn fees by helping anxious organisations to embrace the emerging consensus about method. History also tells us that in the welfare sector, what starts as a voluntary commitment to adopt an assumed "best practice" arrangement eventually shifts to a mandatory system. This shift is both lobbied for, and facilitated by, consultancy firms that have a vested interest in the mandatory requirements being complicated enough to require the employment of their 'expertise'.

### **An appropriate way forward**

The commitment to create and then identify a social dividend is more cultural than technical. As the creating of social value becomes seen as an aspect of the agency's core business (i.e. not just a 'bolt-on' to its statutory duties or traditional functions), it will of course have to be identified, quantified and declared. This does not mean that the process needs to be complicated; nor does it mean that every element of the dividend should be given a monetary value.

The time and effort involved in creating and operating a monetised system can be disproportionately expensive. The presentation of value judgements dressed up as precise

monetary measures can provide decision committees with apparently pre-assessed decisions that inhibit further strategic thinking and planning. In some instances, cash measures can be misleading or even downright inappropriate.

A shift away from narrow cash costing to a form of opportunity costing could have a positive effect on rational policy formation. Such an approach would avoid the necessity of operating expensive quasi-accounting systems. It could also present information in a way that is less intimidating and easier to understand. Costing investment decisions by referencing the lost opportunities of alternative investments encourages a discursive approach to policy making. Although it may still require some form of financial calculation, this remains in the background and does not present policy committees with what appears to be a scientifically determined fait accompli - this makes it easier for decision groups and other stakeholders to question executive proposals and contribute to the policy debate.

Practitioners should avoid being imprisoned by the desire to fill every corner of the assessment with mathematical detail or be concerned to standardise a methodology that uses an inappropriate unit of account. The SROI Network believes that the lack of a standard approach to measurement is in itself not important and that the key to being able to compare different values is "consistency in the principles" (SROI Network 2015: "The SROI Network response to Social Value Act Review" (published online)). In many instances, these, rather than unnecessarily precise indicators or values, will provide more meaningful measures. Furthermore, this approach can be flexed for different levels of rigour depending on the organisation's purposes and stage of development. It is better to measure the right thing at the right time in a rough and ready sort of way than to ignore it or measure it with the sort of impressive refinement that is unnecessary, inflexible or misleading.

There is a case for applying a simple 'residual' approach to the measurement

of what cannot be quantified easily (in cash and/or opportunity cost terms). This avoids the necessity of operating quasi-accounting systems that produce dubious and contested figures for intangibles. It also presents information in a way that is easily understood. Once the measurable has been quantified, the residual method then identifies other relevant intangible costs and benefits that cannot sensibly be given a meaningful cash or opportunity cost value. These 'residuals' are included in the declaration of social value as 'positives' or 'negatives'. They can sometimes be quantified by referencing appropriate soft units of account such as 'tenant satisfaction', 'numbers of people helped or harmed', 'reputational risk', 'staff morale', etc. This straightforward approach should be regarded as 'cheap and effective' rather than 'rough and ready'. It is not only simple to administer and easier to comprehend, but is appropriate to the needs of well-managed, innovative organisations.

### **Consistency in principles not practices**

Social accounts record information that is different from that found in financial accounts and statements. The notion that every social cost and benefit should be included in the assessment and be afforded a cash value feels wrong and is wrong. The single-minded pursuit of quasi-financial accounts in this field could lead to the introduction of monitoring practices that are not only expensive and burdensome to administer but are also open to misleading interpretations. More work needs to be done on how 'soft measures' can be blended into social value calculations in ways that produce less formulaic and more appropriate management tools that are less concerned with regulatory comparability and more concerned with stimulating a diverse range of creative thinking. A key factor in this approach should be accessibility – it should include reporting mechanisms that make real sense to all stakeholders.

### **Freedom within a framework**

Ways of developing such a blended approach already exists in the methodology of cost-benefit-analysis. To be clear, incorporating soft measures into the monitoring arrangements (when judged to be appropriate) would utilise and adapt (not abandon) the excellent work already produced by HACT, the New Economics Foundation and others. What is needed, however, is for leading service providers themselves to generate ideas and flexible frameworks that others can consult and draw upon when devising their own bespoke systems for capturing the nature of their particular contributions to society. The author has been working with a small group of social and commercial entrepreneurs to develop an approach to social costing that is in line with these principles and is happy to communicate with others who share his concerns.



## INFRASTRUCTURE DEVELOPMENT FINANCE

Kevin Joyce

*Kevin is a London based public sector surveyor involved in asset strategy development, assets consolidation, rationalisation and disposal. nevskyuk@gmail.com*

Kevin outlines the options for funding large scale infrastructure projects, and concludes with some remarks about the impact of Brexit.

### **Context**

In the Spring 2016 budget, the Chancellor reaffirmed the government's commitment to bringing forward a

range of major rail, road and housing infrastructure schemes including the Crossrail 2 project in London, a £300m HS3 high-speed rail line between Leeds and Manchester, some £75m of options feasibility finance for a £6bn Trans-Pennine road tunnel project, and a £1.2bn fund to make council-owned brownfield land suitable for new housing (1).

The need for new infrastructure either to replace ageing facilities or to meet pressures for additional new facilities, whether this be economic infrastructure such as energy generation and distribution, telecommunications, transport, water and sewerage, or social infrastructure such as schools, universities, hospitals and prisons, is not generally in dispute. In an article in 2012 Autumn Terrier,



I referred to the UK Treasury having then set a target to generate £200bn of infrastructure development over the following 5 years and infrastructure spending needs over a longer time-frame to 2030, estimated at around £40-£50bn annually (2). More recently, in February this year the Institute of Mechanical Engineers estimated that £1.3tn of new investment would be required to support infrastructure growth to 2050 in London alone (3).

With larger infrastructure projects, there may be some element of costs' clawback required from users or beneficiaries of the facilities to help make the projects viable, which contributions could for example take the form of road toll charges along the routes of new roads, business rate supplements levied on businesses located along the routes of new cross-city rail lines such as London Crossrail, or increased utility bills for customers served by new drainage facilities such as the cross-city Thames Tideway Tunnel Sewer under London [Ed – see summary of John Watts' presentation at ACES' AGM in 2015/16 Winter Terrier].

Projects to replace existing infrastructure facilities can also sometimes prove not only to be costly, but as contentious as new infrastructure developments. The proposal for example to replace EDF's Hinckley Point C with a new £18bn nuclear power station to become operational in 2025, would not only represent a substantial capital investment in a single infrastructure project, but the details of the subsidy deal under which the government will guarantee EDF a 'strike price' for each megawatt of power generated over a 35-year period from the new power station has, in itself, also attracted some criticism.

As Whitehall is increasingly looking to the private sector to partly or to fully fund new major infrastructure projects, rather than the taxpayer directly, the question of how and where best to access the finance required is a primary challenge to be addressed by project planners at scheme inception.

## **PFI anyone?**

Readers will know that the 1992 Private Finance Initiative (PFI) was introduced by government as a way of creating public-private partnerships to provide services to design, build, finance and operate public infrastructure projects such as new schools, hospitals and roads, under long-term concession contracts, with the returns on capital taking the form of annual unitary charge payments made for these services. Attractions of the PFI included up-front private sector financing, the debt off-balance-sheet, some risk transfer to the private sector partners, and the partners bringing their own innovative design and build solutions to projects undertaken.

Things have not worked out as well as had been hoped, however, with the Initiative attracting controversy over whether or not, for example, PFI has delivered value for money, and over the sizes of debt burden which the unitary charges have put on the operational budgets of commissioning bodies such as NHS trusts. In June 2014, the Northumbria Healthcare Foundational Trust became the first NHS trust to buy out its PFI contract from partners who had built and operated the Hexham General Hospital, through borrowing a reported £114m from the local council, in order to make an annual saving of £3.5m for the following 19 years (4).

A 2016 Treasury analysis has estimated that some £209bn is to be paid to private sector partners over the next 35 years in connection with over 700 PFI projects signed by central government (5).

Reform of the PFI under a Private Finance 2 (PF2) initiative has been taking place, with the Treasury promoting a new approach to public private partnerships involving, among other things, delivering better value for money, ensuring transparency of future liabilities to the taxpayer, and providing that operational arrangements should be sufficiently flexible to accommodate alterations in public sector service requirements (6). It would appear, therefore, that a reformed PFI could be considered as one potential source of development finance for new

infrastructure projects, should the reforms prove successful.

## **Direct investment by Sovereign wealth (SWFs) and pension funds**

### SWFs

On behalf of the government, Dominic Jermey, Chief Executive of UK Trade and Investment, approached the Abu Dhabi Investment Authority (ADIA) Sovereign Wealth Fund last year about investment in infrastructure schemes such as the HS2 high-speed rail project and the Northern Powerhouse initiative, to reinvigorate post-industrial regional economies around Birmingham, Leeds, Manchester and Sheffield (7).

Some of the world's largest SWFs have, in fact, already invested heavily in companies providing infrastructure delivery and operational services in the UK. ADIA has shareholdings in the parent company owners of Gatwick Airport and Thames Water, and also in Angel trains, one of the UK's major rolling stock owners. Both the Qatar Investment Authority (QIA) and the Chinese Investment Corporation (CIC) SWFs hold stakes in BAA, the owner of Heathrow Airport, and the CIC also owns a stake in Thames Water. Another Chinese SWF, the SAFE Investment Company, holds a stake in Affinity Water.

Likely levels of SWFs' interest in funding future infrastructure projects are difficult to gauge at this time.

As Middle East SWFs are predominantly concerned with longer-term reinvestment of excess oil revenues, or in Qatar's case, excess oil and gas revenues, levels and patterns of new investment are strongly influenced by current prices of oil and gas. Oil prices fell sharply from £74 a barrel in June 2014 to c£29 a barrel by the end of 2015, and although some experts are predicting prices to rebound to around £39 a barrel by the end of 2016, in part as a result of falls in levels of US shale production, Saudi Arabia shows no signs of giving in to OPEC pressure to cut back oil output, and with both Iran and Iraq now cranking up their oil production, a significant recovery in oil prices this year is by no means certain.

The QIA, which has invested heavily in both the UK economy and real estate, and had budgeted for an oil price at around £45 a barrel, is now under pressure to focus activity on larger investments offering higher returns, as a result of which the Authority's Canary Wharf investment at 1 Cabot Square, headquarters of Credit Suisse, has been put on the market at a price of £450m (8). Notwithstanding the QIA's move, a 2016 joint survey by Cluttons and YouGov reported that Middle Eastern investors continue to rank London as their first choice city for property investment, ahead of New York and Singapore, with Clutton's Steven Morgan observing that the capital "has historic, stable residential and commercial property markets and competitive capital appreciation, unrivalled by other European cities" (9).

Other SWFs are subject to different kinds of pressures, which could intrinsically be connected to the reasons the funds were created. Japan's SWF, for example, was set up in 2014 by the Japanese government to generate higher returns from real estate and equities than the returns which could be offered by bonds, specifically to address an imbalance between government income being received and benefit pay-outs being paid out to an ageing population.

In Japan's case, though, the pressing need for new projects to deliver higher returns could conceivably intensify the SWF's interest in new infrastructure projects as yields on Japanese 10-year government bonds, which had already been low, have now turned negative, meaning investors are willing to bear a small loss when the bonds are redeemed at their original price by the government (10). With Japan also proving unwilling to embrace immigration (only 1.7% of the population is made up of foreigners living in the country), it is estimated that there will be 1.67m fewer workers by 2030. The demographic pressures created by an ageing population and likelihood of even greater future benefit pay-outs needing to be made, appear as if they could intensify the pressures to generate higher investment returns yet further, which equities and real estate might offer (11).

China's foreign currency reserves, which had reduced by a 5th over the last 2 years following the government buying up the country's own renminbi currency to increase demand and maintain its value, saw a striking rise by £71bn this March with the renminbi's appreciation against the dollar indicating a more favourable shift in market sentiment for the currency, and also freeing up new funds for reinvestment (12).

#### Pension funds

Some of the world's largest pension funds have also invested heavily in infrastructure; Canadian pension funds are a particularly active international investor in the sector. Ontario Teachers Investment Plan pension fund company, already has ownership interests in several UK utility companies, for example, the London to Channel Tunnel High Speed Rail 1 railway line. Bristol Airport is part of a Canadian-Kuwaiti consortium which has won a £2bn race to buy London City Airport from its American owner Global Infrastructure Partners (13). Caisse, Canada's second largest pension fund, has acquired a stake in Australia's Transgrid power transmission company (14).

Earlier this year in the UK, the energy utility company SSE sold half its interest in its flagship South Lanarkshire wind farm for £355m, with a 28.2% stake acquired by the AIM-listed (London Stock Exchange's international market for smaller growing companies) Greencoat UK Wind company and a 21.7% stake acquired by the Greater Manchester Pension Fund and the London Pension Fund Authority Infrastructure (15).

#### **Infrastructure funds and trusts**

Infrastructure funds and trusts invest in companies that build, develop or manage infrastructure projects and operate nationally or internationally. In North America, leading funds include First State Global Listed Infrastructure, which holds stock in companies managing toll roads in the US and Australia; CF CanLife holds stock in a company operating Zurich airport, HICL Infrastructure and 3i Infrastructure. An

argument that these funds put forward to attract investors is that infrastructure investments offer more stability than other investment assets which are correlated more closely with the equity markets (16).

Although these funds are predominantly private sector led, in 2012 the mayor of Chicago set up an infrastructure trust to issue bonds to private sector investors to fund energy retrofit and high-speed rail links, which could be a portent for future public sector-led infrastructure investment initiatives.

#### **Islamic finance**

The £1.4tn Islamic Finance services market could offer a plentiful source of funding for new infrastructure projects, although any proposals would have to take account of Sharia compliance principles of fairness, openness and transparency, the avoidance of speculative or extreme risks, and the need to arrange financial structures in ways which avoid any effortless generation of profits through interest payments (riba), forbidden in Islam.

Investment could be either through direct development or investment in projects, or take the form of asset-based or asset-backed Islamic bonds (sukuk). In June 2014, Britain was the first country outside the Islamic world to issue a sovereign sukuk with the £200m bond to mature in 2019. Investors included SWFs, banks and international financial institutions.

#### **Combining sources and types of finance**

Combining sources of finance could prove necessary for funding some larger infrastructure projects simply because of the extent of the financing required. With EDF's replacement Hinckley Point nuclear project for example, China's state-owned China General Nuclear Power Corporation has agreed to acquire a 33.5% stake in the scheme and the French government, which is an 82% owner of EDF, is to take a scrip dividend in shares rather than cash to generate a further £1.4bn of financing, meaning there is a lesser although still substantial

level of funding required from other sources (17).

Types of finance to raise funds can also be combined, with there being possibilities of combining even Islamic Finance with conventional loan funding where Sharia compliant elements of projects can be properly separated from the remaining elements, either through assets separation or structural separation, to the satisfaction of Sharia scholars.

## **Brexit impact**

The summer referendum result in favour of leaving the EU could have significant consequences for financing major UK infrastructure projects, not least from the prospect of withdrawal of European Investment Bank (EIB) funding, with the bank having loaned circa £5.6bn to UK projects last year, including a £1bn loan to Transport for London, for underground stations and lines upgrades. The UK has though consistently been a net contributor to the EU budget, ploughing more money into EU spending programmes than the country receives back, so

an alternative internal redirection of government-sourced infrastructure funding resources might reasonably be anticipated following EU exit.

Brexit timescales are not in any event due to be triggered until formal notification by the UK of the intention to leave the EU under Article 50 of the Treaty on European Union, which provides for a period of up to 2 years from the notification date for exit terms to be negotiated. There is therefore a pre-notification and post-notification window now open to enable new relationships to be created with non-EU infrastructure finance private sector sources and to nurture and strengthen existing relationships, in readiness for a post-Brexit world.

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# LEGAL SNIPPETS

Below are extracts from Mills & Reeve "Property Matters" which are of relevance to public sector property professionals. My thanks to Mills & Reeve for letting me reproduce them. Mills & Reeve Property Matters [www.property-matters-law.co.uk](http://www.property-matters-law.co.uk)

## **Conversions of non-residential property – could unexpected VAT treatment affect a developer's bottom line?**

For developers, converting seemingly less popular commercial space, such as a public house, into residential accommodation can be a lucrative business, but proper analysis of the VAT treatment in advance of commencing the development should help with the ultimate pricing and profitability of the development. The first grant of a

freehold interest or leasehold interest greater than 21 years by a person converting a non-residential building or a non-residential part of a building designed as a dwelling or number of dwellings is zero rated for VAT. The supply is taxable at 0% so the output tax is £0. As the supply is taxable, a developer can offset and recover its input tax against the supply. However, it appears that the application of zero rated VAT treatment to mixed use conversions is not straight forward. The issue was considered by the first-tier Tribunal in the recent case of *MacPherson v HMRC* where it was held that the conversion of a mixed use building into solely residential building did not qualify as zero-rated for VAT.

Here a village shop on the ground floor, with residential accommodation on the 1st floor, was converted into 2

semi-detached residential properties. The developers claimed that the sale of the developed properties was zero-rated for VAT and, as such, they had reclaimed over £4,000 of input VAT from conversion costs. The Tribunal held that, as the whole of the property was being developed, not just the non-residential part, the developers did not qualify under item 1(b), Group 5, Schedule 8 of the Value Added Tax Act 1994, which provides that zero rating applies in the case of "the first grant by a person converting a non-residential building or a non-residential part of a building designed as a dwelling or number of dwellings". The Tribunal's view was that the development was neither the conversion of a "non-residential building" (due to existing residential accommodation) or "a non-residential part of a building" (as the development also related to the



residential part). The Tribunal's findings disagreed with a previous decision in 2013 (*Alexandra Countryside Investment Ltd v HMRC*) so anyone relying on the previous case may face a challenge from HMRC. The Tribunal appears to have applied the relevant statute without reference to the fact that a large majority of such conversions are likely to have an element of living space due to the nature of the properties being converted. Therefore, when developers are scoping and budgeting their new developments, tax implications such as the VAT treatment should be considered to ensure that the development remains profitable and to try and minimise unexpected outgoings.

### ***Preventing easements arising by prescription: a notice may suffice***

In the recent case of *Winterburn v Bennett* (2016), the Court of Appeal

has considered whether the presence of signs in a car park stating that the car park was private was sufficient to prevent the adjoining owners from acquiring the right to use the land as a car park.

The appellants had run a fish and chip shop next to the respondents' car park since around 1987. Their suppliers and customers had, since that time, parked on the respondents' car park for deliveries and while they bought their fish and chips. The respondents had erected a sign on the wall of the car park and in the window of the club house at the far end of the car park stating "Private car park. For the use of club patrons only", but the appellants had ignored those warnings. In 2012, the respondents' tenant blocked the entrance to the car park, and the appellants claimed that they had acquired the right to park there by prescription. This would

require them to show that they had used the car park for at least 20 years without force, secrecy or permission. The First-Tier Tribunal found that the appellants had successfully established their claim, but the Upper Tribunal allowed the respondents' appeal. The case subsequently went to the Court of Appeal, which held that the signs were, by themselves, enough to show the respondents' continuing objection to unauthorised parking. Accordingly, the appellants' use of the car park was not "without force" and they were not entitled to acquire a legal right to park on the land by prescription.

This case is very useful for landowners and shows that they can simply erect signs to prevent others from acquiring easements over their land, as long as those signs are clear enough, and need not necessarily take physical or legal steps to do so.

## Branches News

# DUNCAN BLACKIE, EASTERN BRANCH

The branch met on 1 July at Cambridge Fire Station. There were approximately 30 members and guests. The event was hosted by Carter Jonas, Cambridge, for which thanks are given. Vice-Chair Brian Prettyman chaired the meeting.

No comments were received at the meeting regarding the suggested membership proposals, as requested by national Council [Ed – see notes of ACES Council meeting in this Terrier].

Four presentations were received, briefly described below.

### ***Mark Hyde, Carter Jonas***

Mark gave a summary of the Housing and Planning Act 2016 (HPA). He presented statistics on home ownership, for example 50% of private renters and 25% of social housing renters have aspirations to own their own property. [Ed – see 2 articles on HPA in 2016 Summer Terrier]

- The purpose of the HPA is to assist housing development - government commitment is to build 200,000-300,000 homes p.a. but we're currently building around 124,000
- The HPA is in 9 parts. Part 1 - a starter home is a new dwelling that is only available to qualifying parties and must be at least 20% less than market value. The maximum sale price of a starter home is £250,000 outside London and £450,000 in Greater London. Qualifying parties must be first time buyers aged 23-9
- There is a duty on planning authorities to promote starter homes and planning permission can only be granted if the starter home requirement is met. Around 20% of a development must be starter homes. In response to a question asking whether this will be part of the affordable housing provision

or in addition to, it was thought likely to be part of the provision

- Self-build - the planning authority must keep a register of land available for self-build and a register of brownfield land suitable for housing
- Part 6 - permission in principle is intended to cut out the need for a developer to get outline permission on identified sites. The Secretary of State identified the broad area where permission in principle applies, tied to brownfield rather than greenfield sites
- The HPA gives the Secretary of State the ability to trial the privatisation of the planning service.

### ***Spencer McGawley and Rebecca Pembery, Campbell Reith***

This presentation illustrated the power of the company's GISSMo (Geographical

Information System Site Model). It included a demonstration online of the GIS software developed which illustrated the many uses of the varied spatial data available, for information gathering [Ed – see full article in this edition of Terrier].

### **Jonathan Whall, Sharpe Pritchard**

This was a procurement update. Jonathan looked at:

- Brexit - initially unlikely to see much change, though we possibly won't have to advertise in OJEU. We will however still have to follow procurement rules because they are British. As long as we're bound by best value we will probably follow a similar regime to meet best value
- Public Contract Regulations 2015 - introduced 2 new procedures - Competitive Procedure with Negotiation (CPN) (also referred to as the 'hybrid procedure'), which allows negotiation to improve the bid. A tender can be awarded at the first or the final tender stage, if reserved in the tender notice. It is different to Competitive

Dialogue (CD) in that CD is a way of identifying the best way to get what you need. CPN was used in the UK around 109 times between Feb 2015 and Feb 2016. The 2nd new procedure - Innovation Partnerships - can only be used if what you want isn't available on the market. Used in the UK only 3 times between Feb 2015 and Feb 2016.

### **Quentin Cass and Brian Prettyman, Suffolk County Council**

Quentin and Brian outlined the Mildenhall Hub Project – the collaboration of a number of public bodies to form a public sector hub to the west of Mildenhall on County Farms land. The development will provide c16,000 sq m accommodation and cost c£40m. The business case has been approved and the development brief adopted. Project Managers and Design team have also been appointed. Partners include:

- Forest Heath/St Edmundsbury (West Suffolk Council)
- Suffolk County Council

- Mildenhall College Academy
- Abbeycroft Leisure
- Suffolk Libraries
- West Suffolk NHS Clinical Commissioning Group
- Jobcentre Plus
- Fire and Police Services
- CAB

Project Steps include Place shaping in Mildenhall (2015 -2030) - £225,000 awarded from One Public Estate for feasibility, highway planning and project management/place shaping; implementation & feasibility work - partnering, land assembly, surveys and design. Funding appraisals in Autumn 2016; planning permission early in 2017 with a target date of 2019 for 1st phase delivery [Ed – see full article in this Terrier].

There followed an open forum. Discussion topics included school places, deals with Brexit clauses, briefing notes on Brexit [Ed – see RICS report in this Terrier], farm subsidies following Brexit and self-build models.

## **JOHN READ, NORTH EAST BRANCH**

The most recent meeting of the North East branch was a CPD day in July, hosted by Bond Dickinson Solicitors, Newcastle. It was a very well attended meeting, in offices overlooking the Tyne River and the Gateshead Millennium Bridge.

The meeting was opened by Jenny Dixon, Branch Chair, with the usual announcements and an introduction to the President Jeremy Pilgrim. Jeremy gave a short address covering issues including maintaining membership levels, proposals to consider changes to membership eligibility, Government Property Unit - One Public Estate and an advance notification for the Presidential Conference at The Oval, with the theme of 'Powerhouses and Smart Cities'.

Following announcements from Mike Ackroyd, Branch Secretary, the CPD day continued with the following presentations:

### **Planning and enforcement update - Katie McPhie – Bond Dickinson**

Katie gave an update on recent changes in planning legislation and government initiatives, many of which included a very strong emphasis towards bringing new housing forward for development. She outlined 'Permission in Principle' and 'Starter Homes' proposals and covered topics including Registration of Land, Planning Freedom Schemes, Alternative Service Provision and the variation

of s106 agreements. Other topics covered included the enforceability of planning obligations, Vacant Building Credit, changes of use and permitted development.

### **Compulsory purchase orders update, research, review and reform – Frank Orr – Bond Dickinson**

Frank outlined the guidance published last year by the Secretary of State and went through the basic principles of a strong CPO, emphasising the need to demonstrate a compelling case in the public interest.

Frank also outlined Bond Dickinson research reviews and reports in 2010,

2012 and 2015 looking at planning and housing CPOs and an analysis of their success. This research found that there had been a general increase in the number of CPOs promoted since the recession and a similar trend on CPOs determined over the same period. Frank concluded that this demonstrated improving economic prospects for development. He also asked the question 'Do CPOs work?' His research showed that over 80% of CPOs were confirmed with or without modification, but also suggested that failed or withdrawn CPOs were not necessarily unsuccessful in achieving the objectives of the scheme, with only about 2.5% of CPOs failing to meet their objectives.

Frank then outlined a series of examples demonstrating the reasons for the failure CPOs, with issues such as technical drafting errors, alternative solutions falling short of a need for a CPO, insufficient evidence of demand and ability to deliver, and failure to demonstrate that the land is required. This was followed by a review of recent caselaw and the proposed reform of the CPO system [Ed – see CPO and compensation article in this Terrier].

### ***Development and highways – Stephen Dagg – Bond Dickinson***

Stephen started his presentation with a summary of the nature and creation of highways and the powers and duties of highway authorities. He outlined the common law hedge to hedge and ditch assumptions and the presumption that the half width of a highway runs with the adjoining land, unless excluded out of a transfer.

Stephen then went on to outline the provisions of the Natural Environment and Rural Communities Act 2006 and how this closed up all ancient highways, unless they were shown on the definitive map (with some exceptions).

### ***Property market conditions – Roger Spears & Ray Minto – Bilfinger GVA***

Roger gave an informative summary of



the commercial sector in the north east prior to Brexit, with encouraging signs in the industrial, office and investment sectors, and giving examples of some of the notable transactions. He suggested that in the immediate run up to Brexit and the early days after the vote, the outlook was less clear, with investment levels on Q1 2016 at the lowest level for 3 years. On the positive side, industrial and logistics, pubs, health care and student accommodation sectors showed a positive outlook and with low sterling values and increased inflation, the market may be more popular, particularly with international investors.

Ray gave a summary of the residential market, advising that the house builders' message post Brexit was very much business as usual. But he suggested that there were initial signs of caution in the short-term. He outlined the pressures from the government to deliver 200,000 homes and commented that the market was dominated by the big 4 house builders, with a significant reduction in the number of medium and small house builders.

### ***Development scenario case study – Helen Stubs***

This was a new trial for our branch meetings, with branch member Helen giving the audience the opportunity to participate. With the aid of a flip chart,

a selection of coloured marker pens and her artistic sketching skills, Helen outlined a case scenario involving a development opportunity with a number of constraints, including a potential ransom issue, and asked the audience for their suggestions in addressing the issues posed. It proved a very successful trial, with several ideas put forward by branch members. Helen is already preparing for a regular slot of 'Helen's Problem Corner' at future branch meetings.

Finally, the Branch Executive met in York on 23 September to finalise the details for the November meeting, which will include a good range of CPD topics. It will be hosted by Harrogate Borough Council on Friday 4 November [Ed – and hopefully a branch report will be included in 2016/17 Winter Terrier. We should show non-attending ACES members just how valuable our branch CPD events are].



# PETER BURT, HEART OF ENGLAND

## **3 March 2016 meeting**

Geoff Taylor, Estates and Smallholdings Service Manager, Warwickshire County Council, hosted the first meeting of the year on 3 March at Tithe Lodge, Southam. Judith Bayes, the new Chair, thanked Geoff for providing a lovely location for the meeting and for the bacon sarnies with coffee on arrival. Geoff responded that they had been built especially for our visit (the buildings not the sarnies!)

There were 2 presentations in the morning. Firstly, Geoff introduced the Tithe Lodge development, which was based around an Extra Care housing scheme plus public facilities. The original Orbit development had become very dilapidated and there was a growing need from Warwickshire County Council for housing care. With the police's need for rationalisation, a deal could be made to incorporate its site and provide new smaller accommodation within a new strategic development. A recent Tesco store development provided s106 money that was earmarked for community improvement. The multiple ownership between Orbit, Warwickshire CC and the police required delicate negotiations to bring the site into one ownership by the county council, to provide the local needs for Extra Care housing, community/retail space, a police Safer Neighbourhood Office (SNO), and to replace the library. The solution provides:

- 75 1 & 2-bedroom flats, with one third social renting
- Restaurant/cafe with some retail to be operated by the town council
- A police SNO
- New replacement library, including space for the Citizens' Advice Bureau, and a small museum to house the Cardall Collection [Ed – local history collection of Southam and surrounding villages].

The police required full market value for its freehold disposal and in return pays a market rent for the new provision, on a 10-year lease with a 3-yearly break clause. The total cost of the development was £9,500,000 and the s106 money provided £800,000.

In the 2nd presentation, Sam Empson from Rightmove gave an entertaining and interactive presentation of the company, which is the 9th largest website in the UK, and the 600% growth of Rightmove Commercial (RC) from its formation 4 years ago. RC now has 2.9m visits per month of which 36% are investors, 24% occupiers, 18% landlords, 3% commercial property agents and others 19%. The only income RC receives is from adverts placed on the site. The charge starts at £100 for one advert per month, through to taking a subscription for multiples for £300, whereby the advertiser can have up to 15 properties per month on the site. A council can transfer its own web site onto the RC site or it can just use the RC web site. In response to a question, Sam said that he would be willing to discuss preferential rates for ACES members.

During the afternoon session there was a discussion on how authorities are complying with IFRS13, with points ranging from revaluation every 5 years and those doing 20% each year, to what is included, or not, as Investment Properties. It was considered that units of less than 2,000 sq ft could be held for operational purposes but larger sheds are investments. One district authority has a town centre retail development of around £2m but claims it is held for regeneration purposes.

There was a general discussion on self-build, starter homes and key worker housing. The majority of councils were working towards such provision, despite planning issues, in particular looking to deliver more affordable homes, including key worker housing. One authority was including some self-build plots on new residential sites and the issue of disposal of garage sites to accommodate more

homes was also raised.

Other matters discussed included an asset management company wanting to have space to locate a container housing lithium batteries, to provide extra capacity for peak periods. It was mentioned that a number of companies were seeking sites and that they would pay 20% above their industrial value.

## **7 July 2016 meeting**

The 2nd meeting of the year was hosted by Philip Colledge, Principal General Practice Surveyor and Corporate Asset Manager, Mansfield District Council and was held at the Mansfield Civic Centre on 7 July. The Branch welcomed as the guest for the day Jeremy Pilgrim, ACES National President.

Philip started the morning session by presenting Mansfield's Investment Property Strategy. The first purchase had been a hotel in Scotland. He explained how the council had delivered a substantial fund and why the council was investing outside its administrative area, and then set out in some detail the political background to the strategy and criteria that had been developed to select property acquisitions, assess the risk and manage the investments.

Philip explained that the council had developed their 5Qs for investment relating to:

- Tenant's covenant strength
- Income stream was assessed, along with the length, review pattern, break option, floor space and vacancy levels
- Location - the area of the country that the property was located in was also assessed and scored
- Sector - reference was made to the sector and its interaction with the geographical location of the potential asset

- Building - careful consideration was made of the building, its age and condition.

The 1st property acquired in 2014 was a Travelodge in Edinburgh for £8,000,000, held on a 25-year lease and showing an initial return of 7%. This property was revalued on 1 April 2015 at £9m. Mansfield District Council has been so pleased with the acquisition that it has now completed 3 more investments in Clapham, Manchester and Doncaster, including another Travelodge, and are looking for more.

Before lunch, Andrew Edwards, Head of Property Services at Rutland County Council, provided an update on the conversion of the former Ashwell Prison, near Oakham, to a thriving business park - Oakham Enterprise Park. For those who had not attended the branch meeting held at the Enterprise Park last year, Andrew started with a brief history of the site, having been a World War 2 army base, and then converted to a prison. Following riots at the prison, and considerable fire damage, the Ministry of Justice (MoJ) decided to close the prison and entered into negotiations with Rutland County

Council. RCC acquired the site and proceeded to convert many of the older buildings to lettable units, carrying out significant compliance works, major water and other infrastructure works and upgrade of the sports hall to a community sports facility, including a base for the local judo club.

The converted units are 95% let and work is ongoing to build further lettable units on the undeveloped land. The Park has been very successful but many important lessons were learned including the MoJ exemption from building regulations, and the impact this had on works required [Ed - I attended that very interesting branch meeting at Ashwell Prison and I recall, with some amusement, that as a security measure the fire doors had to open inwards!].

After lunch Jeremy Pilgrim introduced himself to the attendees and spoke about his role as national President. The branch then considered the ACES constitution and rules review report. The recommendations were supported, but there was a lengthy discussion on whether membership should be opened up to the private sector which,

through developing an appropriate associate membership, was supported, despite some misgivings.

Richard Allen spoke on the exercise he had undertaken with the student from Nottingham Trent University who was to be awarded this year's annual ACES Heart of England branch prize for a real estate project. He explained why the exercise had been chosen, its findings analysed, and how it had been concluded that local authorities should be challenging and restructuring the risk balance of their Tenanted Non-Residential Property Portfolios. The article on the topic jointly produced by Richard and Gloria Tele-Djawu appeared in 2016 Summer Terrier.

As usual, a range of other general topics were raised by attendees and discussed. These included the new guidance on State Aid in property transactions, effects of Brexit and the 4th round of the One Public Estate submissions.

The last meeting of the year and Branch AGM will be hosted by Telford District Council on 3 November 2016.

## ADE ADEBAYO, LONDON BRANCH

It has been a very active few months at the London Branch, with 2 branch meetings and a half-day CPD event over the last 6 months.

### **May meeting**

Our half-day CPD event in May was hosted by Trowers and Hamlins and covered 2 topical areas. Neale Beale of Trowers and Ian Smith of 33 Chancery Lane gave presentations on anti-money laundering, focusing on the measures we need to put in place so as not to contravene the law. The 2nd half of the event dealt with the theme of sustainable development and affordable housing, with a presentation from Pooran Desai OBE, co-founder of Bioregional, who developed the landmark BEDZED buildings in Hackbridge. He explained how their

thinking has evolved from the initial focus on energy efficiency of buildings to their recognition that one of the major successes of BEDZED was the creation of a supportive and engaged community. This has now led to the creation on One Planet Living principles which have been used in developing a number of housing estates in the UK and the USA. Tim Shaw from Carter Jonas rounded off the event with a talk on affordable housing.

### **July meeting**

The London Branch's July meeting is usually a whole-day event with a site visit, followed by our Ordinary General Meeting. This year was no different, with a splendid event hosted by colleagues at Lambeth Council. It included a visit to the highly successful

Pop Brixton and a tour of regeneration sites in Brixton, where the council is trying to balance retaining the local character of Brixton against the backdrop of creeping gentrification of the area [Ed - this must be an issue, as there was a lengthy item about this on Channel 4 News on 1 October]. Presentations from the operators of Pop Brixton noted the counter-intuitive insight that although temporary, the rent for space there was not cheap, even though many of the businesses located there are local small businesses, but that the discipline of having to meet rent demands enables the businesses to find their "business feet" and operate on a proper commercial basis. All the businesses there are required to offer community service as part of their tenancy agreement. Lambeth Council recognises that the

very success of the scheme may make the comprehensive development of what is now a highly valuable site more difficult but they are making good progress in preparing the permanent scheme for the site.

### **September meeting**

The branch hosted ACES President, Jeremy Pilgrim, at our September meeting. The President was able to

brief members on the reasons for the unfortunate late cancellation of the ACES Presidential Conference and set out the highlights of his presidential year.

London branch meetings are on the whole well attended, although not all London boroughs have ACES Members. Efforts continue to be made to have full coverage of all London boroughs.

In addition to inviting speakers on a variety of topics to our branch meetings, the branch continues to support strongly the breakfast CPD events - Espresso Briefings - hosted by Bilfinger GVA at its City offices.

Looking forward, the Branch will be holding its AGM and OGM on Friday 2 December, after which it will hold its annual Christmas dinner.

## PETER GREGORY, NORTH WEST BRANCH

### **Continuing Professional Development - Learning and engaging**

The Branch's annual CPD day was held on 12 May at Haydock Park Racecourse. The day was organised by Rachel Kneale (West Lancs) and was attended by 120 delegates from across the north west. The conference was held in a balcony suite of the racecourse and delegates appreciated the opportunity to network with colleagues from other authorities while enjoying the sunshine and panoramic views of the track.

The programme included 4 presentations on a range of diverse subjects:

- Landlord and Tenant Update (Jeremy Steele, DWF Solicitors)  
Jeremy has been a committed contributor to branch CPD over a number of years. He took the conference through recent developments in landlord and tenant legislation and case law, covering the interpretation of commercial contracts (Arnold v Britten et al [2015]), break clauses (M&S Plc v BNP Paribas), relief from forfeiture (Magnic Ltd v Ul-Hassan), and 2 business rates cases ((Woolway v Mazars LLP) and (Newbigin [VO] v SJ & J Monk)
- Dilapidations (Martin Turley, Mal Ashall, School of the Built Environment, Liverpool John Moores

#### University)

Martin and Mal tackled the subject of dilapidations from a unique angle, which caught the imagination of the delegates. They explored the relationship between landlords, tenants and other stakeholders and considered the variety of approaches which can be adopted in a successful portfolio strategy

- International Property Measurement System (IPMS) (Tom Pugh, Malcolm Hollis)  
Tom drew on his professional experience as an area referencing specialist and from his experience as a member of the RICS' Property Measurement Group, which published the new standards. He provided a thorough overview of the background and practical implementation of IPMS for offices and went on to detail the proposals for extending this process to residential property
- RICS Valuer Registration (Peter Dixon, Carol Guinney, RICS Regulatory Surveyors)  
Carol and Peter explained the scope of valuation inspections of registered valuers, and set out the areas that are usually subject to scrutiny, covering issues such as terms of engagement, quality of valuations and supporting evidence, conflicts of interest and report contents.

### **Workshops**

The Branch also decided to include a series of workshops into its programme for 2016. Members felt that ordinary meetings often gave insufficient time to cover adequately topics of particular interest and relevance, and that matters raised in open forum were not always satisfactorily followed up. The workshops were introduced to address these concerns and also to give opportunities for improved engagement with staff within members' organisations. The workshops are designed to be DIY, members with a track record in a particular subject bringing their expertise, with subsequent discussions and learning stimulated by the complementary experience and aspirations of delegates. Thanks to the generosity of the hosting organisations they have also proved, so far, to be cost-free.

Two workshops have taken place to date:

- Asset Valuations (held at the offices of Rossendale Council, May 2016)  
Members or staff from 15 organisations attended this interactive session, with the emphasis on sharing good practice on a range of aspects of asset valuation, including educational assets and componentisation. Mike Forster of Rossendale Council initiated the discussion with a presentation

covering the history and development of local authority asset valuation practice and guidance, up to the recent changes brought in by the 2015 Code. David Hagerty of Rossendale Council then provided a detailed presentation of education asset valuations, using several examples. There then followed an open session of question and answer discussions which left some questions open to further deliberation, which may result in formal questions being posted on the ACES Forum.

- Investment Portfolio (held at the offices of South Ribble Council, July 2016)  
The workshop derived from increasing awareness among member councils that more needs to be done with investment portfolios, if they are to make a meaningful contribution to council financial and socio-economic objectives. Over 20 authorities were represented, with an approximate 50/50 member/staff split. The workshop was anchored by 3 presentations from Alex Holland

(Bury), Rachel Kneale (West Lancs) and Murray Carr (Stockport), who spoke respectively of their experiences of improving income and yields by acquiring investment assets, the self-build of industrial units, and working in partnership.

There have been a significant number of follow-up conversations and the sharing of documentation between attendees. Feedback from delegates at both workshops has been excellent and the branch is now planning a programme for 2017.

## Other Interest Areas

# THE GLOUCESTER GLADIATOR - IN THE MATTER OF TRADITIONAL MARKETS

Looking back on my working life, it seems to have been bookended by markets, but those, literally, as diverse as chalk and cheese.

As a raw graduate, I was unceremoniously thrust into the maelstrom of a busy North Dorset livestock market. From an early age I had accompanied my father on many Tuesday mornings to the local farming get together, eagerly lapping up the smells, sounds, gossip, banter and bustle of the farming community at work and play. When asked, my only career ambition had been to attain the dizzy heights of auctioneer, acting as conductor to an age-old ritual which had supplanted the even more ancient practices of barter and exchange.

I was though hopelessly unprepared and out of my depth, struggling with the reality of demands and commands coming at me from all directions. Surely I was going to be the centre of attention, quickly picking up the staccato and rhythm of the man in charge? Sadly, I was to be disappointed: my lowly station ensured that I started at the crack of dawn as drover's mate, unloading lorry load after lorry load of calves; ensuring each animal was correctly logged in with individual numbers slapped on to backsides with toffee looking glue.

Later I would act as auctioneer's clerk, manfully trying to make sense of the transaction which had taken place at break-neck pace, noting down sale price and buyer's identity. By the afternoon I had graduated to the office to receive cheques, often entrusted with filling out the agreed sums for the buyer to then place his mark by way of authentication (I assure you that is true). The day would conclude, often little before midnight, with a 30-mile round trip to Yeovil to submit the market report, highlighting the day's trading activity, to the office of the farming correspondent of the Western Gazette.

After 6 months of unremitting toil I moved on, and for the next 37 years my only exposure to this way of life was as an occasional disinterested tourist bystander, intruding into such frenetic rural life during holidays around the country. This distance was compounded by the demise of my former stamping ground, long since consigned to history and replaced by housing estate, shopping mall and community centre. Sadly, such has been the pattern around the country, and this quintessential focal point of the agricultural industry is increasingly becoming the exception rather than the rule.

As a footnote to my working life, I wound up running the property estate of a large city council in south Wales; a very far cry from my original starting point, and not a destination included on my original career itinerary. [Ed – too much information, Gladiator; you'll be blowing your cover if you're not careful]. This turn of events was, though, an unmitigated joy, and demonstrated how the unexpected can often prove the most rewarding. Included in the portfolio was the indoor market. Under the one roof was to be found the proverbial butcher and baker (no candlestick maker as I recall) plus a wide assortment of other retail units ranging from cafes, jewellers, fruit and veg stalls, second hand booksellers and more too numerous to mention. While my involvement was not of the day to day hands-on kind or one I had previously encountered, I quickly became immersed in the challenge of management, in juggling the internal politics of the landlord/tenant relationship, and in endeavouring, often with futile results, to resolve seemingly intractably competing pressures and priorities. Despite all this, I found I rather masochistically enjoyed the experience; perhaps though this has been enhanced by the retrospective rose-tinted distance of some 15 months since such pleasures were last endured.



Despite such entirely different contexts, there are though many striking similarities between these 2 types of life hubs both parading under the description of 'market'. Perhaps the most apparent is their individuality and sense of place, providing a diminishing bulwark to the insidious creep of homogeneity which now masquerades

as modern life. Both provide an instant barometer of value and a straightforward transparent means of trading and competition. All life can be found in their embodiment, and the social synergy of human contact provides an enervating contrast to the increasing anonymity of on-line retail activity for the shopper and dead

weight contracts with supermarket giants for the marginalised farmer, which now form the norm in so many parts of the country.

Long may they both continue to thrive in their own idiosyncratic ways.

## FILMING AT PIDDLIHINTON "SURVIVORS"

Graham Colbourne

*Graham entered the profession in 1963 and after spells in private practice and the Valuation Office he joined Dorset County Council in 1972. He became Deputy County Valuer and Estates Officer in 1987. From 1996 to his retirement in 200, he was the Council's Head of Valuation and Estates.*

Graham contacted me after reading John Read's article about the ordered process of filming Dad's Army, featured in 2016 Spring Terrier. At that time, Graham said: "Looking back forty years I am amazed how amateurish we were in dealing with the BBC and the filming company. Clearly John Read had the situation much more under control." His is an amusing account, probably more familiar to other ACES members' past experiences.

It was late on a Friday afternoon in 1976 and I had recently returned to County Hall after a day of inspections when I was greeted with the news that "We've just had the most extraordinary flamboyant individual in the office. His name is Tristan De Vere Cole, he's a BBC Producer and he's wearing a pink shirt and a purple tie. He's had to go back to London, but he would like you to phone him on Monday morning".

Intrigued, I telephoned the BBC first thing on Monday. Mr De Vere Cole was not yet in, but I spoke to his Assistant Producer, Jean Esselmont, who explained that the BBC was interested in using a site recently acquired by Dorset County Council as the location for an episode of the drama series, "Survivors". The series was very popular at the time and even today has a sizeable cult following. The main story line concerns the exploits of a disparate group of individuals who come together after a lethal virus has wiped out the rest of the population. These are the survivors.

To escape the plague, they head deep into the countryside. In the penultimate episode of the final series, the survivors reach an abandoned army camp set in a

wild and remote landscape. For a London based BBC Producer, Dorset fitted the bill perfectly in terms of wildness and remoteness and it so happened that the county council owned the ideal site, Piddlehinton Camp.

### **Piddlehinton Camp**

The Camp lies some 5 miles north of Dorchester in the valley of the River Piddle. In the 1930s the War Department acquired 96 acres of downland on the slopes above the river. Over the years the military developed the site extensively so that at the time of acquisition by the council, it enjoyed the infrastructure and facilities almost equivalent to a small town. There were barracks for the troops, vehicle workshops, stores, a secure compound for missile storage and a wide range of sports facilities.

Following the publication of the Nugent Committee's Review of Defence Lands in 1973, Piddlehinton Camp was declared surplus to defence requirements and offered to the county council under the Crichel Down Rules. As Senior Valuer in the Valuation and Estates Department I became responsible for the acquisition and

subsequent management of the site.

The council's policy was to restore the site to agricultural use in line with the environmental objectives of the Review and then to sell it to the former owner who still farmed locally.

A scheme of restoration was prepared involving the complete clearance of all buildings and infrastructure, but before it could be implemented the council effectively sabotaged its own policy by designating 6 acres as a site for travellers, to comply with its responsibilities under the recent Caravan Sites Act. The decision created a precedent and precipitated something akin to the Gold Rush, with a number of county council departments and outside public and private sector bodies clamouring for a slice of the action. The policy was suspended and as a result, at the time of filming in 1976, the Camp was virtually unchanged from what it had been when occupied by the military, except that the land and buildings were now used for a wide range of civilian purposes.

The barracks, which comprised 22 separate brick-built blocks, were in



Photos of the Royal School of Signals army camp supplied by Peter Scarlett, current Estate and Assets Service Manager at Dorset County Council

the process of being refurbished by the West Dorset District Council as accommodation for the homeless, the Education Department had taken over some of the storage buildings, the Highways Department occupied the vehicle workshops and the sports facilities were being used by various local clubs. An adjoining farmer had also been granted a licence to graze his stock on the grassland surrounding the buildings.

### Filming

Miss Esselmont came to Dorchester and laid out the BBC's requirements. The production team would require the use of 2 of the barracks buildings and a larger block nearby, which had formerly served as the guardroom. In the episode in question called "Long Live the King" the group of survivors had taken over 2 of the barrack blocks as living accommodation, creating a garden at the rear. The guardroom was intended to serve as a communal facility. To lend authenticity, the garden would be created by digging over the grass which surrounded the 2 huts and

placing carrots and cabbages on the land to simulate growing crops.

To enable the crew to create the film set and carry out the filming, the BBC would require use of the site for 5 days. Thanks to the generous scheme of delegation which existed at the time, the County Valuer and Estates Officer was able very quickly to grant the BBC the necessary licence to occupy the film location at nominal consideration,

the grounds being that the BBC was a public body and the publicity from the programme would promote the county as a tourist destination. This was a very helpful approach since none of us had a clue as to the commercial value of the rights to film.

The news that the BBC was filming at the Camp caused quite a stir. I had to fend off approaches from staff across a number of departments who wished to attend the filming and those who thought that they might be required as extras. Since the story line was based on the professional cast being the sole survivors, there was clearly no call for extras, but this did not deter them. Looking back, the atmosphere probably led to my taking my eye off the ball and contributed to some of the ensuing problems.

The film crew moved in on a Wednesday and created the set. The 'garden' was cultivated and the carrots and cabbages installed, accompanied, for some unaccountable reason, by 2 bags of sawdust. The Director and the cast arrived on the next morning, expecting to commence filming: but there was a problem. Overnight the 30-head of young stock which roamed the Camp had trampled all over the 'garden' and eaten all the carrots and cabbages. They had also consumed the sawdust for good measure. Filming had to be suspended for the day while the crew reinstated the set and fenced off the 'garden'. The Director was not pleased, although the cast who took the day off seemed not to be particularly bothered.





When filming finally got under way the production soon ran into another problem, this time of a more personal nature. The BBC team which had reconnoitred the site was aware that the Camp had its own water supply and sewage plant and without further research, had assumed that a building close to the guardroom was an ablution block which could provide toilet facilities to the cast and crew. The building turned out to be the boiler house which, moreover, was seriously contaminated by decaying asbestos lagging. A further delay was threatened while temporary "Portaloos" were brought to site: but the cast found their own solution. A building close to the film location had been taken over by the County Education Department and was being used as a storage and distribution centre for school kitchen equipment. Since the store was permanently staffed, toilet facilities were available. The head storeman was approached and agreed to the cast and crew using the toilets, much to their relief. It was only later that I learnt that the storemen in a somewhat misplaced example of entrepreneurship had been charging the actresses 10p per visit and pocketing the proceeds.

The experience had not been entirely stress-free, but with no further mishaps reported, I left County Hall on Friday evening in relaxed mood. Nothing more could go wrong now – could it?

I had not been in my office for more than 5 minutes on Monday morning when our Chief Clerk put his head

around the door. "I've got a man from GPO Telephones on the line. He wants to speak to you and he sounds very angry". I took the call. The conversation did not start well. "Are you aware that the Piddle Valley has been without a telephone service over the weekend?". No, I was not aware, but I was beginning to think that it might not be entirely unconnected with the BBC's activities at the Camp. "We've traced the fault to the Camp. Somebody's been tampering with our apparatus".

It turned out that the telephone system for the 3 valley villages ran through a control panel in the guardroom and had not been re-routed when the military left. During filming, the Director had decided that the control panel was in the way of the ideal shot. He summarily ordered its removal and 2 technicians had arrived with pliers, snipped the wires holding the panel to the wall and had dumped it outside. To be cut off from the telephone in a place like the Piddle Valley in the days before mobile phones was a serious inconvenience and I duly apologised to the GPO. Nevertheless, the council received a bill for £128 to reinstate the service. I wondered how I could explain this to the County Treasurer. I needn't have worried. I rang Mr De Vere Cole. He was completely unperturbed. He had clearly seen it all before. "Pity about that. Send the bill to us old boy. We'll pay it." The bill went off to the BBC. I heard no more. Presumably they paid up.

My foray into the film industry had not exactly run smoothly, but it had been a

valuable learning experience:

- It taught me not to be so caught up in the excitement and glamour of the occasion that basic property management principles go out of the window.
- I also learnt that the production team should as far as possible not be left to its own devices. Thorough liaison, preferably with somebody from the authority on site, is key to trouble-free filming.
- Finally, the most important lesson to be learned is that for the Director nothing, but nothing, will be allowed to get in the way of the perfect shot.

Footnote: Ed - when I told Graham that Peter Scarlett had especially gone to Piddlehinton to take some photographs of the part still used by the MOD, he replied: "It's very good of Peter to take the trouble to take some photos. Your concern for his welfare is well merited. Going to the Camp is a risky business. Particularly in the 70s and 80s it was rather like the Wild West with my role being more as Sheriff than Property Manager. We had among other cases, a mad axe man, 'unexploded ordnance', a kidnapped German colonel, a 'wild cat' strike and vicious horses to cope with. The BBC was probably the least of our problems.



# THE SUFFOLK SCRIBBLER

## *The Suffolk Time Traveller*

It all started back in June 2016 during an exceptional period of hot dry weather. Thunderstorms were forecast anytime during the day.

And sure enough it started to rain about lunch time and the unmistakable signs of a thunderstorm nearby were soon evident. Over to the west the sky became very black and although it was not possible to hear and see the neighbouring thunder and lightning, which would have been very, very frightening, there was no doubt that a thunderstorm was coming our way.

Within a matter of minutes, the rain began to develop in intensity and it became so dark indoors that it was necessary to switch lights on. I cannot remember now if we did get thunder and lightning but the repetitive dimming and brightening of the lights indicated that we would lose power before the storm passed us by.

However, this light show did seem to go on for a very long time and eventually it was quite a relief when the power finally went down altogether. The storm then moved on fairly quickly and after a few minutes, electric power was restored.

The first job to get on with in this situation is to reset the digital time displays that are built into most items of electric equipment these days. It was then that I noticed that the clock on the microwave was flashing away like all the others. This was strange as the timer/clock unit had not worked at all for about 12 months and I was set on replacing the unit anyway, as a microwave with no timer is pretty useless.

Having sorted out the clock situation across the board, I thought it was time to watch a bit of telly so switched on and discovered another change had occurred. My lovely flat screen TV system is fed by 2 aerials and has 2 controllers, one of which acts through the TV itself and is fed by a standard TV aerial on the



roof, and the other controls the SKYbox which in turn is fed by the SKY satellite dish. For many months now it had only been possible to control the TV through the SKYbox and my impression was that the ordinary TV aerial had ceased to work altogether. However, the power disruption had sorted out whatever the problem had been and now everything was "back to normal".

With the benefit of hindsight, I now wish I had had the courage to stick my fingers into a power socket during the power disruption. Who knows how many of my long-term health problems might have been resolved as well?

Or is there another explanation? My next move was actually to power up the telly in order to watch something and the first programme up was a genuine episode of 'Hi-de-Hi', followed by an episode of 'Yes, Prime Minister', of a similar vintage.

This then made me wonder whether I had travelled back in time to a date when everything worked OK.

Watch this space!

### **"Fifty Not Out"**

For some time now the Editor and I have been considering a possible project known as '50 Not Out'. This may have been mentioned briefly in a previous

Scribble column. The intention is to bring together all previously published Suffolk Scribbler pieces in a pdf document and circulate an electronic copy to each reader. The infrastructure is all in place and all that is required now is my input to tidy up the copy.

Unfortunately, what with one thing and another, I have not yet been able to focus on this, but I anticipate that this might be possible over the coming winter period. However, when originally conceived, the project title was quite accurate as we were just coming up to 50 Scribbles, whereas this piece is actually number 57.

'57 Not Out' does not make for such a catchy title as 50 Not Out; but I hope that I am not tempted to let more time pass so we can call it '60 Not Out'.

[Ed – I will give a fiver to the first person that spots the phrase from a popular song – a song which I personally hate, actually, and Scribbler well knows this.]





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Lambert Smith Hampton, Pyramus House, Roman Way, Grange Park, Northampton NN4 5EA