

# THE TERRIER

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

VOLUME 21 - ISSUE 1 - SPRING 2016



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## EDITORIAL

Betty Albion

Welcome to the Spring Terrier.

Some of you who were working in the 1970s and 80s, particularly on redevelopment schemes or planning-related jobs like me, may have been familiar with the Buchanan Report: 'Traffic in Towns' published in autumn 1963. It made a massive impact. I found a lovely quote in Estates Gazette 21 March 1964 which I wanted to share:

*London County Council on Tuesday of last week approved without debate, a motion by Mr A. Drapkin worded as follows: 'That the Town Planning Committee and the Boards Committee do consider and report whether an early addition should be made to the Council's town planning requirements so that all new buildings in densely built areas (to be appropriately defined) shall be erected on stilts so that new buildings shall not become an impediment to future plans for upper-level pedestrian movement and ground level traffic organisation.'*

This issue has a good range of articles, but particularly focussing on collaboration/devolution, housing, rural issues and development appraisals. I would like to take this opportunity to thank all the firms which have renewed advertising for 2016/17. Without your support, ACES could not produce the journal. It is also pleasing that 3 of our principle advertisers have also submitted articles for this edition. Thank you twice over!

There are less member articles and branches news this time round. I would love to see this improved for Summer Terrier, please. Notwithstanding that comment, there's a cracker from John Read in 'Other interest areas'.

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### Erratum

Page 18 of 2015/16 Winter Terrier – Company name should have read 'Our...' not 'Higher...'

Cover photo: Edinburgh City Chambers



## NOTES OF ACES NATIONAL COUNCIL MEETING, 22 JANUARY 2016

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Keith Jewsbury, ACES Secretary

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19 members attended the meeting held at the Guildhall, London.

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

The President, Jeremy Pilgrim, reported that he was now working for Kent County Council and that Daniella Barrow had agreed to step up to take the Senior Vice President's role, following a vacancy. He was pursuing the need to appoint a new Junior Vice President.

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

The secretary reported on matters arising during the period from the 21 August 2015 Council Meeting and in particular the receipt of payments following the subscription invoices that were sent out in December 2015, problems with organisations sending payments to branches or the former secretary, the level of new applications and that he intended to visit at least 2 branches during the year.

### ***Financial matters***

The Treasurer reported that the finances of the Association were looking healthier with the London Conference finances resolved and items coming in under budget. The Salford Conference resulted in £8,500 income. With regard to the cost of Secretarial services, the projection is higher than budgeted and therefore it was agreed to increase the provision in this financial year only and then the budget to be reviewed.

Following a question, it was agreed to consider tendering the auditor contract in order to check to ensure value for money.

### ***Constitution and rules – working party***

The President updated the meeting on the progress made by the working party and the need to receive a written report at the April Council, in order that proposed changes can be discussed and agreed at the August Council and placed before members at the AGM in November.

As a temporary measure and to address problems being encountered at meetings regarding quorums, it was agreed that the existing quorate of 20 be replaced by 10 for Branch AGMs, 5 for Branch OGMs, 15 for ACES Council but that 20 should remain for the National AGM.

It was also agreed that a full review of these issues be included within the constitutional review, including categories of membership and voting rights.

### ***London Conference 2014***

It was reported that the outstanding financial issues with regard to this conference are now resolved.

### ***Salford Conference 2015***

Richard Wynne, the Immediate Past President, gave a detailed report on

the Salford Conference and stated that the feedback from delegates had been favourable but that the attendance by ACES members was again disappointing. Council discussed ideas of how to address this concern and encourage the attendance by younger staff.

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

The President reported that suitable conference venues were being sought in London. The theme to be "The powerhouses and future cities". A full report will be available for the April meeting.

### ***The future of the Federation of Property Societies***

Daniella Barrow reported that FPS was in decline due to organisational changes to the membership organisations. The meeting agreed to withdraw from membership of FPS and that other arrangements be made to liaise with former FPS member organisations. ACES to enter into discussion with COPROP regarding future arrangements.

### ***Website***

The website, now hosted by Team Valley, is proving more accessible and responsive than the previous supplier.

It is now possible to add members' photographs to their website entry. It was agreed that national and branch officers

be encouraged to add their photos.

It was also agreed to pursue the inclusion of public sector property job vacancies on the site and that a price be obtained from Team Valley for the necessary development work.

It was reported that a London branch member has offered help with social networking for ACES, eg. Linked-in, Twitter. It was agreed to investigate this offer.

### **Future meetings**

Annual Conference	29/30 September 2016	London
Annual Meeting	18 November 2016	London
Annual Conference	September 2017	Venue to be decided
Annual Meeting	17 November 2017	City Hall, Cardiff

### **ACES Award for Excellence 2016**

Council agreed to award a trophy in future, replacing the cash prize that

was often donated to mayors' charities, rather than supporting the estates team as originally envisaged.

## **MEMBERSHIP** Keith Jewsbury

I list below the changes in membership between 1 January and 31 March 2016.

### **New members approved**

There were 21 new applications approved during the period.

Mark	Albanie	NPS Property Consultants Ltd
Morag	Angus	The Scottish Government
Clive	Ball	NHS Wales Shared Services Partnership
Giles	Cooper	Harrogate Borough Council
Nick	Corker	Cornwall Council
Chris	Fairbrother	North Lincolnshire Council
Marcia	Gillings	London Borough of Wandsworth
Nick	Grimwade	London Borough of Hackney
Julie	Herbert	Stevenage Borough Council
Peter	Holmes	London Borough of Islington
Amanda	Hughes	Sheffield Hallam University
Garry	Lindsay	NPS South Lakeland
Michael	Linsdell	West Suffolk Councils
Jonathan	Marriott	Rotherham Borough Council
Natasha	Morgan	Powys County Council
Martin	Olomofe	London Borough of Camden
Paul	Palmer	TEDC Ltd
Lucile	Rankin	The Scottish Government
Hilary	Reid	Rhondda, Cynon, Taff Council
Neil	Thompson	London Borough of Bromley
Angela	Western	NPS Norwich Ltd

### **Transfer from full to past membership**

No members transferred to past membership during the period.

### **Resignations**

18 members resigned during this period.

Anthony	Andrew
Sandra	Armstrong
Ray	Ashton
Chris	Bouchard
Steve	Dinnick
Anthony	Farrell
Diana	Hill
Heather	Hosking
Stuart	Ladds
Gerry	Overton
Philip	Percival
Bryn	Phillips
David	Phillips
John	Porter
Rod	Porter
David	Stimpson
Bill	Swindlehurst
Bill	Wallace

I also have to report the death of Alan Duchars formerly of Essex County Council and President of ALAVES 1983.

### **Total membership**

Full	224
Additional	75
Honorary	32
Past	49
Total	380

## OBITUARY – ALAN DUCHARS FRICS FRVA, 1927-2015

I am sorry to report the death of Alan Duchars, who completed his career as County Valuer for Essex County Council.

Alan was a member of both former organisations CLAVA (County Land Agents & Valuers' Association) and ALAVES (Association of Local Authority Valuers and Estate Surveyors), which merged in 1986 to become ACES. Alan was very supportive of the merger. He was President of ALAVES in 1983.

Alan had not attended ACES events for many years. However, an obituary by a recent associate from Chelmsford wrote: "I had known Alan for over 40 years and in all that time held him in great esteem. He was a true "gentle-man", charming, good company and I never heard him say a bad word about anyone. He loved friendship and fellowship evidenced by his membership of many Chelmsford Clubs. Alan was loyal beyond measure to organisations and to people - he would never miss a meeting [other than through ill health].

Alan was a man of good humour, quiet and unassuming, however, he would state his point of view, when necessary, firmly, but without rancour. He loved telling a good joke and hearing some, even the "old ones". When one visited Alan you would always be greeted with a warm welcome, a beaming smile and a firm handshake - all the hallmarks of a lovely man.

## Professional



## ACES/DCLG WORKING GROUP MEETING HELD ON 2 FEBRUARY 2016

This is a note prepared with the assistance of Colin Wright, Estates Specialist Team, and his colleagues at the Department of Communities and Local Government. DCLG welcomes feedback on many of the issues outlined.

The working group considered a number of topical areas of policy and initiatives.

### ***DCLG policy round-up – Andrew Hannan***

Andrew welcomed the group for the first meeting since 2014 [Ed – regular reports on policy have appeared in issues of Terrier] and started off by outlining the changes to the ministerial team since the Conservative majority government was formed, following the General Election in May last year. The main ministerial roles are taken by the Rt Hon Greg Clark (Secretary of State for DCLG), Brandon Lewis (Housing

and Planning Minister), Marcus Jones (Minister for Local Government) and James Wharton (Minister for Local Growth and Northern Powerhouse). In terms of senior departmental officials, Melanie Dawes succeeded Sir Bob Kerslake as the DCLG Permanent Secretary in March 2015.

The 2015 Comprehensive Spending Review and Chancellor's Autumn Statement formed the main focus of the policy round-up, with the DCLG settlement for the next 4 years being



set out by the Chancellor in his Autumn Statement on 25 November. A selection of headlines from the settlement include:

- more than £20bn of gross capital investment over the next 5 years to support housing and local growth
- doubling the housing budget from 2018 to 2019 to deliver 400,000 new homes, the biggest affordable house building programme by a government since the 1970s
- further spending on targeted initiatives that tackle homelessness and support the victims of domestic violence
- overall resource savings of 29% by 2019 to 2020 through better financial management and further efficiency, including a 20% reduction in the departmental paybill over 4 years.

Some selected announcements from the spending review include:

#### On housing

- The government will double the housing budget from 2018 to 2019 to deliver at least 400,000 affordable homes including 200,000 Starter Homes, 135,000 new Help to Buy Shared Ownership homes and 10,000 Rent to Buy homes
- The government will also extend the Right to Buy scheme to housing association tenants and create a London Help to Buy scheme with a 40% equity loan
- Release enough public sector land for 160,000 homes
- Provide £310m of funding to deliver up to 15,000 homes at Ebbsfleet, the first garden city in the UK for over 100 years
- From 2017 to 2018 the government will devolve and reform increased funding for managing temporary accommodation, giving local authorities more control and flexibility.

#### On growth

The government announced that it will support growth and job creation through a new wave of Enterprise Zones. Following on from this, on 1 December it was announced that in total there will be 44 Enterprise Zones in England – 18 new, 24 existing (of which 8 have extensions), plus Blackpool Airport and Plymouth Enterprise Zones which were previously announced in the Budget that took place in March 2015.

#### On devolution

DCLG will operate the £12bn Local Growth Fund, which is more than double the size of equivalent funds in the last Parliament, and will empower local communities to deliver growth by giving them greater control of public spending, allowing them to target their own priorities. DCLG will also continue to oversee delivery of devolution deals agreed with city regions and other areas.

Further details of any announcements on the above can be found on the gov.uk website.

### ***Releasing local authority land for housing – Jackie Sadek and Dr Tim Leunig***

Jackie Sadek and Dr Tim Leunig are Special Policy Advisers in the Secretary of State's strategic office.

The release of public sector land is key to meeting the ambitious targets for housing set by government during this parliament (1 million homes by 2020). DCLG wants to work collaboratively with ACES to look at models of best practice, through the Local Government Association and Homes and Community Agency. One avenue explored was for ACES to assist in preparing a toolbox, training and seminars, to aid local authorities to consider strategically the release of land for housing. Seminars and workshops should not be confined to surveyors and needs to include senior officers and members of local authorities, across the professions of property, housing and planning.

ACES members were keen to explain

that local authorities, as well as central government, also have cycles of opportunities, geared to local elections, and initiatives are more likely to happen when new members have settled into their roles. Now is a good time nationally.

A wide-reaching discussion took place on this topic, including the issue about whether public sector organisations were holding but not releasing sites, and for what reasons; and the extent to which local authorities did own suitable land for new housing; whether pressure should be put on volume housebuilders to build-out the permissions within their own extensive land banks; and the value of providing a complete range of houses and flats, for ownership, rent and mixed tenures, to meet the needs of all, including those on low incomes, mobile more affluent single people, students and families.

### ***Build to rent – Nigel Kersey***

Nigel ran through a presentation which set the context of the new housing policies. There is now a bigger proportion of private than social renters. In some parts of the country, the census results for 2001 and 2011 indicated that particularly in some conurbations, the percentage change to private rented sector (PRS) households was well over 100%.

Typical features of a modern build to rent scheme are that they are built at scale by a single landlord; they are purpose-designed to attract and retain tenants, with whole-life costs optimised; they are professionally managed, with on-site staff and have high levels of service to help retain tenants and minimise voids and arrears. The tenants are viewed as customers. Schemes are funded by a whole range of financial institutions and corporations, which they may hold long-term or build out and sell to other long-term investors.

The government supports PRS because it reduces build-out rates (promoting regeneration), supports labour mobility and provides high quality accommodation that meets a specific market need.

Nigel also pointed out the benefits of build to rent for local authorities:

- Supporting the community through tenant choice; customer focused landlords; meets local demand for market rented housing; and long-term investors create sustainable communities
- Supporting local growth, employment and local mobility; increases housing supply; enables rapid place making; and brings forward the phasing of large and regeneration sites
- Financial benefits of a source of income/capital on local authority land; gains of New Homes Bonus and Council Tax.

Viability of PRS schemes was considered, referring to the clauses in the NPPF, including the changes in March 2015 specifically referring to build to rent, where planning authorities are being urged to consider properly the quantum of planning obligations including affordable housing. Finally, Nigel outlined the £3.5bn PRS Guarantee Scheme for the investment phase of PRS schemes. The first bond issue is anticipated in Spring 2016.

Discussion on build to rent centred around recent initiatives of local authorities to set up housing companies. While market rent schemes are being encouraged, the government is concerned about instances where companies were being used as a device to build social or affordable homes to rent outside the HRA, thereby circumventing the Right to Buy (RTB). ACES members were keen to point out that often there is too much risk in undertaking market rent schemes because of the potential for income streams to be affected by RTBs. Nigel invited any local authority affected by this issue to contact him with a view to enabling DCLG to develop potential solutions. ACES recommended that DCLG produces clear guidance on the routes for the public sector to build and manage PRS. Another issue voiced was that more student housing is required; while student accommodation is

outside the government's house building target, providing new rooms will free up large old stock in towns for family housing.

Nigel invited all local authorities to share their experience of taking forward build-to-rent, including any barriers that they have encountered.

### ***Local government assets and productivity policy – James Holden, Cathal Rock, Gareth Caller***

Three themes were covered briefly:

1. Collaboration – discussion centred around the One Public Estate, including data sharing, procurement, asset mapping, and focused work with public sector bodies on collaboration. The Local Government Association along with the Government Property Unit (GPU) is jointly leading this programme [Ed – see separate article in this Terrier]
2. Land Commissions – the need for consistent data, eg the brown-field register. The Transparency Code is to be extended, geared towards housing provision through opportunities for collaboration. A government consultation is expected soon
3. Capital receipts – Gareth explained the policy change of flexibility on the use of capital receipts from asset sales, to facilitate service reform. This 'Capitalisation Direction' will be exercisable from 1 April 2016 to 31 March 2019, whereby the capital from sales can be used to fund the revenue costs of service reform. A strategic code is being prepared and councils will be able to use the flexibility without a bidding process, a change from the previous initiatives in this area.

### ***Public Sector Transformation Network – Kemi Saka***

Notification was given by Kemi that that this Network, which acted as a catalyst for service reform and transformation, will cease to be funded after March 2016. However, it

is intended that its activities and work will continue in DCLG. The website ([www.publicservicetransformation.org](http://www.publicservicetransformation.org)) remains a repository of information and useful links on all aspects of public service transformation.

Editor - The DCLG Estates Specialist team in its current format disbanded in spring 2016. Officers of the ACES/ DCLG Working Party will maintain close links with the department, the GPU and other national bodies to retain a liaising role for discussion and dissemination of advice and information.

Many thanks to Colin Wright and Andrew Hannan for their work in coordinating liaison between ACES and DCLG over many years.

Colin intends to work on a contract and freelance consultancy basis – including remaining as a Terrier author – to use his experience across central and local government and the private sector, to provide advice to public sector bodies. [colinwright100@yahoo.co.uk](mailto:colinwright100@yahoo.co.uk)



# THE ONE PUBLIC ESTATE PROGRAMME

Craig Egglestone

*Craig is the Local Government Association Programme Manager for the One Public Estate programme. The One Public Estate programme is a joint Cabinet Office and LGA initiative supporting councils to make better use of land and property assets by working jointly with local public sector land owners.*

*Craig has worked on the programme since its commencement in 2013, implementing the development of, and supporting delivery and implementing development of the programme. [Craig.Egglestone@local.gov.uk](mailto:Craig.Egglestone@local.gov.uk)*

Craig outlines the latest phase of OPE, which emphasises the greater involvement of government, health, justice and defence bodies, to rationalise assets. Craig illustrates good practice in collaboration through some case studies, and outlines some new tools to support delivery of OPE projects on the ground.

## Introduction

One Public Estate (OPE) is a pioneering initiative delivered in partnership by the Cabinet Office Government Property Unit (GPU) and the Local Government Association (LGA). It provides expert support and funding to councils to deliver ambitious cross-public sector property-based projects. Through OPE, local and central government are working with wider public sector partners to deliver against 4 core objectives:

- Create economic growth by releasing land and property to stimulate economic growth, regeneration, new housing and jobs
- More integrated and customer-focused services through co-locating public services to provide more streamlined service delivery
- Generate capital receipts through the release of surplus land and property
- Reduce running costs of central and local government assets by co-locating services and ensuring that estate portfolios are fit for purpose.

At its heart, the programme is about getting more from collective public assets. We have seen bodies across the public sector being truly innovative, using their land and property as an enabler for local growth, service transformation and efficiency savings that can be reinvested. In the context of major agendas such as housing, health and social care transformation, and benefits reform, it's hardly surprising that we are increasingly turning to one of our largest costs – land and property – and seeing it as an opportunity to unlock transformation.

## Growing a national programme

One Public Estate began as a pilot programme in 2013 with 12 areas. In 2014, a further 20 pilots were successful in joining the programme. These 32 partnerships showed that, with the right expertise and support, a small investment could unlock significant benefits in service transformation, local growth and efficiency savings.

In 2015, One Public Estate received a double funding boost: £6m announced at Summer Budget and a further £31m at Autumn Statement. This extra funding has already enabled the programme to expand to a 3rd phase, supporting more councils to deliver place-based OPE projects.

In December 2015, 107 local authorities working across 24 partnerships successfully joined Phase 3 of the OPE programme. £6m of funding was allocated across the partnerships, supporting a wide range

of transformational land and property projects. These partnerships are now set to deliver 16,500 new homes, 36,000 new jobs, raise £138m in capital receipts and save £56m in running costs over the next 5 years.

A big part of the increased ambition for Phase 3 was to encourage partnerships of councils from wider geographical areas, increasing the programme's benefits by using collective skills, knowledge and funding to transform radically property and services across a wider assets portfolio.

With the additional £31m announced at Spending Review 2015, One Public Estate is now looking to establish itself as a national programme and to go even further than before. Indeed, the programme has just launched its next phase. Partnerships have been invited to put forward ambitious work programmes that demonstrate the core OPE philosophy of cross-public sector working. Applications from individual councils which have transformational local projects are also being welcomed and existing OPE councils can put forward proposals to expand their current programmes. Further opportunities to join One Public Estate are expected to be announced later in the year.

Councils joining the programme will gain access to: funding and professional support; a ministerial Star Chamber to help overcome barriers; access to central government; Opportunities Workshops to identify new projects; continued development of government policy to assist local

delivery; and a pool of experts to provide additional support and capacity.

## ***The changing public sector landscape***

One Public Estate is a key part of the new public sector assets landscape, a landscape that is progressively changing across central government. There are a number of national transformational programmes that illustrate how relevant One Public Estate is:

- Health – The NHS is in the process of transforming its services, developing and implementing local estate strategies that will be finalised through 2016
- Defence – The Ministry of Defence's developing Footprint Strategy will seek to identify the most cost-effective approach to achieve an estate footprint of the right size, quality and location to support departmental requirements
- Employment – The end of the Department for Work and Pensions' Private Finance Initiative is ending in 2018 and opportunities to improve the department's delivery of services are being considered. The Autumn Statement set out DWP's commitment to reducing overall estate costs by 30%
- Revenue and Customs – In November 2015, HMRC announced steps to create a department fit for the future, creating 13 new regional centres over the next 5 years
- Justice – The government is investing heavily to reform and modernise both the courts and prison estate in a way that drives efficiencies and delivers long-term value for money
- Education – The Education Funding Authority is leading work to open 500 Free Schools by 2020.

Each of these programmes will have an impact on public land and property, both nationally and locally, and

represent opportunities for future collaboration. One Public Estate will underpin and drive forward the government's plans, transforming the way public sector bodies manage land and property assets.

## ***Partnership case studies***

Current OPE partnerships are already delivering a range of land and property initiatives in the new landscape, for example:

- City of York Council is regenerating a number of areas across the city including York Central and the strategically important Southern Gateway. Owned in part by Network Rail, HMRC and the council, the sites present significant opportunities for economic growth across the city and will be central in accommodating local brownfield housing growth. This regeneration will grow, diversify and strengthen the region and local economy; and is expected to deliver £254m regional uplift in Gross Value Added a year, capacity for around 1,200 new homes and 80,000 sq.m. of commercial space
- OPE is playing a key role in supporting the delivery of Greater Manchester's Devolution agenda, leveraging public assets across the conurbation to transform public services, deliver efficiencies in the public estate and maximise opportunities to drive growth and regeneration. In particular, OPE is supporting the Stockport town centre regeneration, which will contribute to Stockport's plans to bring forward up to 7,000 homes by 2020, a 30% reduction in property portfolio costs, and middle and back office rationalisation across health and council services
- Working with Hinchingsbrooke Healthcare NHS Trust and other health partnerships, Cambridgeshire County Council is seeking to create an integrated multi-agency health campus, providing end to end integrated care for older people. The existing site will be reconfigured to create a

healthcare campus, retirement village, key worker housing, dementia and mental health care facilities, and leisure facilities. Benefit forecasts include: £1m running cost savings from 2018/19; £25m capital receipts to reinvest and improve health infrastructure; £3m inward investment; capacity for about 450 homes; and income generation for the Foundation Trust.

In addition, the programme is helping to shape some of the new tools announced in the Autumn Statement and in the Housing and Planning Bill, to ensure they are fit for purpose and support delivery of OPE projects on the ground. These include:

- Introducing a new **Duty to Engage**: putting a legal duty on government departments to engage with the relevant local authority as they are developing proposals to dispose of land
- Strengthening the **Right to Contest**: allowing the Power to Direct Disposal of Land to be used in a wider range of circumstances
- Extending the **Duty to Report on the Efficiency and Sustainability of the Estate** to local government
- Introducing a new **Duty to Report on Surplus Land**: requiring bodies to publish details of land held surplus for 2 years (6 months for residential property) and why
- Working towards a **priority purchaser status** for councils: giving those who can make the case, greater access to surplus government land at market value to unlock local growth.

For further information see: [www.local.gov.uk/onepublicestate](http://www.local.gov.uk/onepublicestate).

Ed - Friday 8 April was the launch of a new round of the OPE programme. See the website for the Invitation to Apply.



# THE CASE FOR THE UK PRIVATE RENTED SECTOR

Andrew Stanford

*Andrew is UK Residential Fund Manager at LaSalle Investment Management, responsible for developing and implementing LaSalle's UK residential strategy, focusing initially on build to rent. Before joining LaSalle in April 2015, he headed the government's Private Rented Sector taskforce.*

*Andrew is a non-executive Director of Orbit Group and chairs the British Property Federation's Build to Rent Committee. [Andrew.Stanford@lasalle.com](mailto:Andrew.Stanford@lasalle.com)*

Andrew presented a paper to delegates at ACES Presidential Conference 2013 held in Glasgow. As an advocate of PRS, Andrew provides a comprehensive analysis of the housing market and tenure trends, which will give local authorities an understanding of private sector interest in this housing option, and evidence to become involved themselves.

## Introduction and background

Investing in UK residential property through its private rented sector (PRS) is a compelling opportunity today. The sector has a place in a balanced, diversified investment portfolio, given its low historical correlation with other asset classes and the potential to deliver attractive risk-adjusted returns. PRS is backed by strong market and demographic fundamentals, a long-standing supply and demand imbalance and, more recently, broad government support to its development as a sector for institutional investors.

The UK PRS has grown significantly since 1997 and now comprises 18% of the housing stock. Having said that, the vast majority of this growth has come from private individuals becoming 'Buy to Let' landlords. Landlords that own only a single property hold 40% of the PRS stock and just 8% describe themselves as full-time landlords. Thus, the market

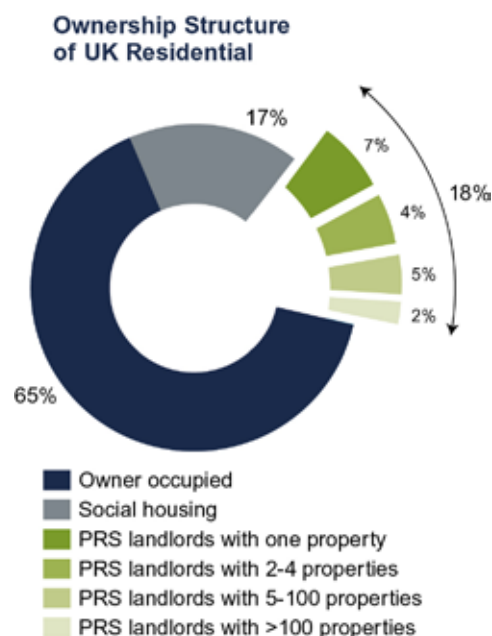
is highly fragmented and landlords with over 100 units hold only 10% of the PRS stock. As a result, the residential property management industry has developed to service multiple small 'Buy to Let' landlord customers rather than institutions. Institutions looking to invest in the PRS have found it hard to appoint a manager capable of servicing their more demanding requirements. We are seeing new service providers emerge as this demand develops, just as has happened in the UK student-let market.

Despite the lack of institutional investment, residential property has outperformed both commercial property and the other main UK asset classes over the long term. These returns have been achieved both with lower volatility and low correlations versus other UK asset classes, so that residential can play a very valuable role in a multi-asset portfolio.

Virtually all UK PRS housing today has been designed for sale to owner-occupiers rather than rental and 'Buy to Let' landlords tend to invest in individual units. Institutions seek to invest in stock designed for rent and at scale, with multiple units within the same building, so that management can be much more efficient. While existing PRS stock is occasionally offered for sale on the investment market, we believe that engaging with developers and house builders

to secure stock in scale, ahead of its construction, is the right approach to executing a successful UK PRS strategy today. This can ensure that the design of the property meets the needs of the target customers (i.e. its tenants), will achieve the best energy performance standards, and can be managed in a cost effective manner. Moreover, the construction risk can be substantially laid off to the developer through not paying for the property before practical completion, though initial letting risk is assumed by the investor.

High class asset management is essential with all real estate, but especially so with residential.



Source: DCLG, Private Landlords Survey 2010



The objective is to maximise net rental income in a sustainable manner, through minimising voids and controlling costs. Investors should partner with managers who understand the standards that institutions expect and recognise that returns can be enhanced by providing excellent customer service to occupiers, so optimising net income, replicating the US multi-family model.

## London compared to the regions

The prospects for London's economy and its PRS are undeniable, and key indicators from independent sources support this argument. However, focusing on London would be to the detriment of many regional hotspots which merit equal scrutiny and reveal some attractive characteristics of their own.

### Stock

A higher existing PRS stock implies a mature market with proven demand and so a low risk strategy should focus on these larger, more liquid markets. Given its larger urban population, it is no surprise that London leads on this measure. However, it is striking that as many as 16 of the top 50 regional local

authorities have more PRS stock than the average London borough.

### Demand

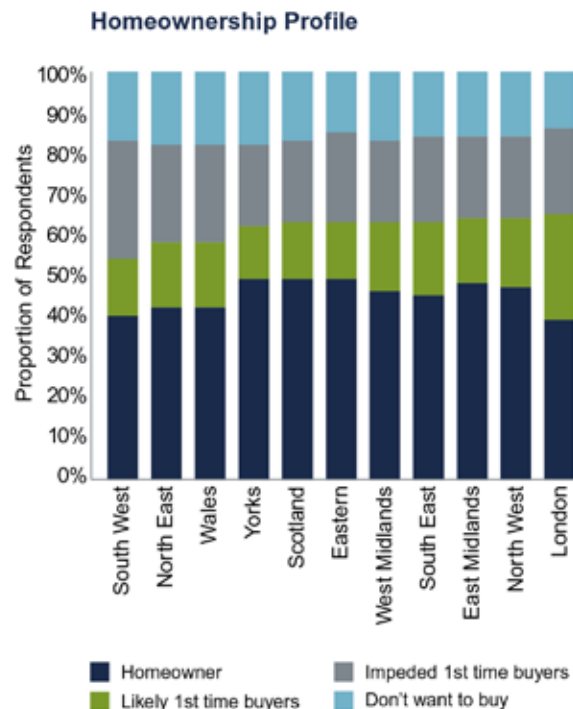
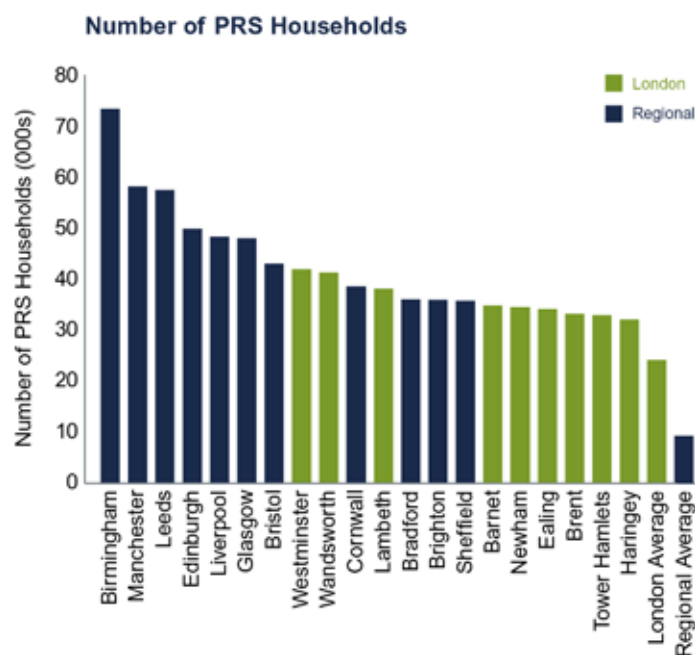
Independent forecasts suggest that the average working age population in each of London's 33 boroughs is set to grow by 9% over the 10 years 2014-2023, equivalent to almost 16,000 people per borough. It is most likely that these people will largely comprise graduates, young workers and migrants – all of which will require housing and will almost certainly not be able to afford a deposit on a mortgage. On this indicator, London far outpaces the rest of the UK where, with few exceptions in major cities, the working-age population will remain broadly flat over the same period. However, this is the only indicator where such a wide discrepancy exists between London and the regions. In all other aspects, growth expectations are robust in most cases, and even exceptional in several.

Looking specifically at employment within the financial & business services sector focuses our analysis more overtly on the young professional worker – one of the target demographic groups for PRS. London is forecast to see almost 19% growth in

this sector between 2014-23, but the rest of the UK is not far behind with 14%, giving succour to the premise that regional local authorities will see increased demand for all types of real estate. Indeed, the top 50 regional local authorities will grow by an average of 16%, closer still to the London trend. It is not only growth within this sector but the size itself which impresses across many local authorities. London leads, with 29% of its employment within the financial and business services sector. The sector comprises 24% of employment in the top 50 regional local authorities. In cities such as Edinburgh, Leeds, Manchester, the proportion exceeds 30%.

Strong Gross Value Add (GVA) growth implies a strong town with thriving businesses, active consumers and high public/private investment. The employment trends outlined above ultimately translate into cumulative GVA growth of 29% for London between 2014 and 2023. Again, regional UK follows close behind, at 23%. Impressively, 10 of the top 50 regional local authorities each have growth in excess of the London average.

Wealth is another consideration within



the framework of our analysis, not only to highlight more prosperous and attractive local authorities of the future but also to account for the affordability of rents/mortgage repayments. Unsurprisingly, London leads the way on this variable. Real disposable income here is forecast to grow by 33% over the 10 years to 2023, but the regional UK average is a comfortable 24% and the average for the top 50 local authorities is closer to 27%.

### Supply

The supply/demand imbalance is one of the principal reasons for the strong house price growth and relative resilience during economic crises. It is widely recognised that the UK has a long-term housing shortage, which has persisted for over 40 years. Construction has been slowing consistently since the 1970s when local authorities were major contributors to new stock. Various government-commissioned reports have advised that 240-250,000 dwellings p.a. need to be constructed merely to keep house price inflation (HPI) at a level to match general price inflation, but this level of output has not been delivered consistently for several decades. Moreover, output recently has been below 150,000 units p.a.

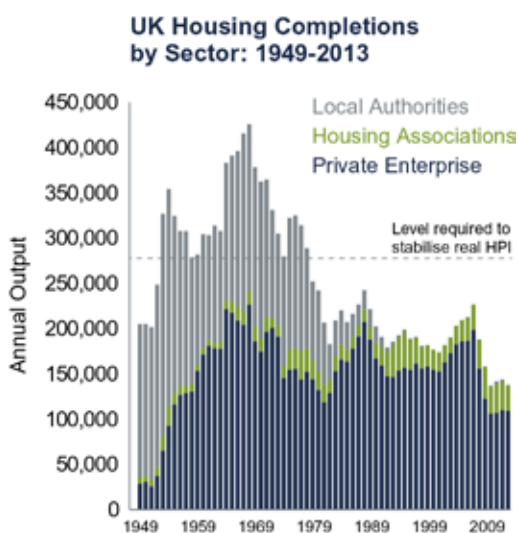
Since 1980 we notice that with each progressive decade, the average level of completions falls in most of the major cities. The construction shortfall since the global financial crisis is particularly evident in the larger cities of Birmingham, Leeds and Manchester, as well as in smaller land-constrained local authorities such as Oxford and Brighton. It is worth noting that London has achieved a relatively consistent volume of completions, and 2014's total was almost 10% above its 1980-2014 average. However, even this fell far short of the Mayor of London's long-standing annual target. It is therefore evident that supply in most dynamic local authorities and cities will fail to meet the demands that the growing labour force requires.

This lack of supply has caused house price growth at a national level to exceed general price inflation by 2.1% p.a. since 1970, in comparison with commercial property, where capital values have undershot inflation by 1.6% p.a. The pressure on both house prices and rents is highly unlikely to slow as a result of supply dynamics for the foreseeable future. We therefore expect HPI to continue to grow faster than general inflation and for rents to increase similarly, so ensuring that the attractive historical performance trend of the sector is continued.

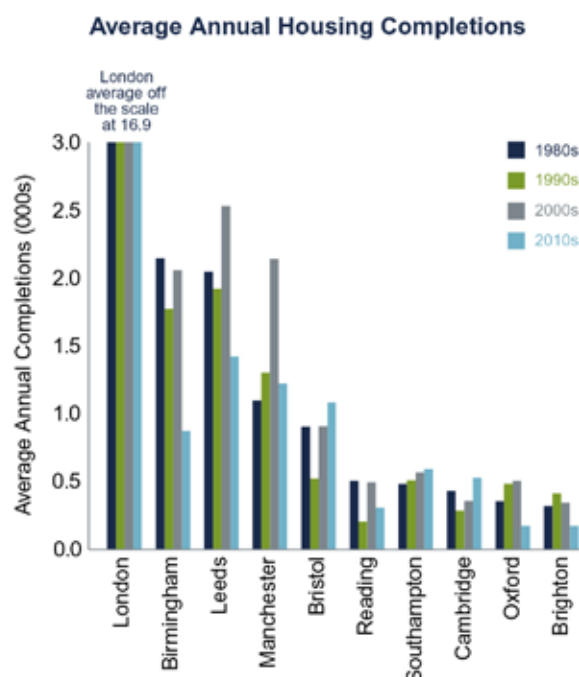
### House price trends

Examining the ratio of house prices in London compared to the UK average shows how the spread between the 2 has been steadily rising over time: from 1.25 in the 1970s to 2.3 in 2015. The strength of the UK's capital city as a global financial centre, the influx of workers, and the lack of available land have all contributed to this. With these trends expected to continue, there is no reason to suggest that the divergence since the 1970s will reverse in the very long term. More relevant than the ratio itself, however, we should consider how far the ratio currently deviates from its long-term trend as this will likely have more influence on growth rates during the next 10 years. On this measure, today's spread above trend is on a par with the record high set in the summer of 1987. What followed over the next 3 years was a narrowing of the spread, followed by an extended 8-year period when the spread turned negative. A similar story unfolded during the next cycle, albeit with less pronounced deviations. While there is no certainty that historic trends will repeat themselves, evidence from the last 40 years must be given due credence when anticipating the next cycle.

Placed in the context of the actual house price growth rates, it becomes



Source: DCLG



Source: LaSalle, ONS

clear what is driving those changes in the London/UK ratio. A spike in London's growth in 1987 to over 30% proved to be unsustainable, and so growth slowed to zero over the next 2 years. In the meantime, regional house prices underwent a similar boom before also slowing. The proclivity for London to lead the rest of the country repeats in each cycle; London recorded another spike/slowdown in recent quarters. This has placed rental yields under exceptional downward pressure, making the London residential sector appear expensive to many prospective home owners, and also to those investors focused on income rather than capital value growth. A chartist approach to forecasting would suggest that regional house price growth may now accelerate over the next 12-24 months. Indeed, the correlation in annual house price growth since 1973 between London and the UK average is high.

We should also consider where house prices sit relative to their own historic trend. On this measure, London's current average price of £443,400

is 40% above its trend, whereas a regional average of £179,300 is only 6% above. These point to a stronger likelihood of price increases in the regions, and conversely more risk of a correction in London. Another indicator also gives cause for caution in London - price volatility since the 1970s has been higher than in the regions. And so while London delivers a more attractive house price growth each year, it is not without its risks.

### **Affordability**

Closely linked to the question of pricing is that of affordability, although the conclusions we draw are mixed. Approximately half of 20-39 year-olds in the UK are living in PRS accommodation, and this is expected to increase substantially. Within an environment of extremely low interest rates, it is clear that the principal barriers to home ownership are the size of the deposit, house prices and low incomes, rather than the size of the mortgage repayments.

First, we examine the current asking

price for a 2-bedroom flat in key local authorities and compare this to the local average net income. We then apply national assumptions based on survey data, including the size of the average deposit, the average savings rate and even account for contributions from parents – but exclude estimates of student graduate debt. The result is that it will take the average single first-time buyer almost 20 years to be able to save for a deposit for a 2-bedroom flat. Prospective owners will need to embrace the PRS for several years to come. This will be the case, even if the outlook for earnings improves considerably over the medium term, as the corollary of this would most likely be a rise in mortgage rates.

Focusing on the regional disparities, it is evident that the high asking prices in London render affordability a major concern. However, renters in attractive residential markets with constrained land in southern parts of the country should also expect lengthy delays before becoming home owners. Affordability seems to be less



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Andrew Williams	<a href="mailto:awilliams@wilks-head.co.uk">awilliams@wilks-head.co.uk</a>	020 7907 7890
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#### **Landlord & Tenant**

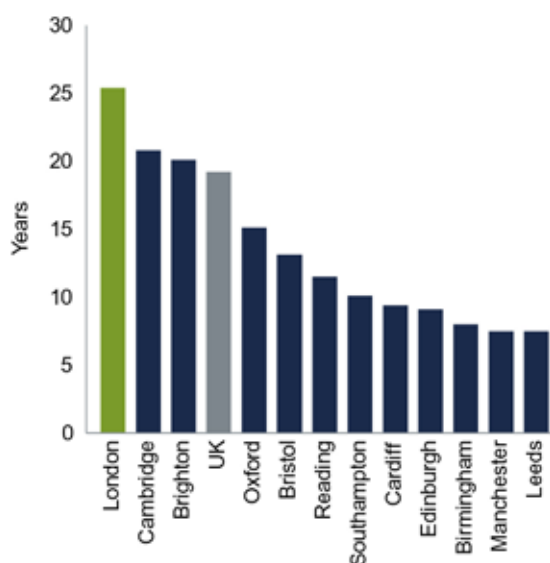
Services include; Rent Reviews & Third Party Referrals, Lease Renewals and Rent Budgeting & Forecasting Consultancy.

Guy Harbord	<a href="mailto:gharbord@wilks-head.co.uk">gharbord@wilks-head.co.uk</a>	020 7907 7898
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**Average years to Save for Deposit for 2-Bedroom Flat**



Source: LaSalle, Zoopla, ONS, NS&I, Santander, Mortgage Advice Bureau

of a concern in the major cities of Birmingham, Leeds and Manchester. However, even here the average number of years of savings required to be able to afford a deposit on a 2-bedroom flat is over 7. It is therefore safe to conclude that demand for PRS accommodation will be robust for the foreseeable future across many regional markets.

Despite the affordability issues in London and low levels of home ownership, survey evidence suggests that the number of likely first-time buyers in London remains high – indeed, much higher than in other regions. This may reflect the local differences in savings ratios, mortgage rates or indeed parental support. However, it also suggests that the potential market for future PRS tenants (ie impeded first-time buyers and those that do not wish to buy) is smaller here than in other regions.

Combining the numerical and survey evidence makes the conclusions from the affordability analysis slightly ambiguous. London's lack of affordability suggests that PRS would prosper here. However, there are also risks in London, and so a national strategy makes more sense on a risk-adjusted basis.

## Rental growth

While historic evidence on PRS rental trends is scarce, it is certainly clear that they broadly follow trends in house prices, with a lag and with less volatility. Limited evidence since 2006 shows a high correlation between annual PRS rental growth and 18-month lagged house price growth. With this knowledge we can with a degree of confidence infer from long-term house price data which themes might play out in PRS.

Since 2006 London has led the rest of the UK in terms of rental growth, at 3.0% p.a. However, rates approaching 2.0% p.a. in both the South East and South West are also impressive. In more recent times, rental growth across the country has only started accelerating by any meaningful degree in the last 18 months. At Q3 2015 London again finds itself ahead of the rest, with 4.1% p.a. Yet again, several regions follow close behind, namely the South East and Eastern England. We would expect certain regions which are still lagging but contain at least one strong PRS market to catch up in due course, for example the North West (Manchester) and Yorkshire & Humberside (Leeds).

## Conclusion

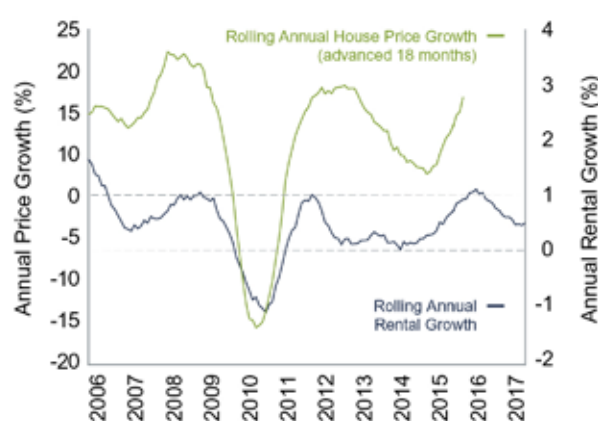
The UK PRS offers institutions a compelling combination of reliable income growth and robust capital values. Furthermore, PRS returns have shown low correlations with those from other asset classes, making the PRS an ideal component within a UK diversified portfolio. Investors who participate in

the early phases of this new market are likely to harvest the best rewards. With the exception of growth in its working-age population, the apparent gulf between London and many regional local authorities is not as wide as general perception suggests.

For many indicators, certain regional hotspots come close to matching London's potential, and even exceed it. The broad trends which characterise affordability – such as prices versus rents, mortgage repayments, income levels, and attitude towards home ownership – affect all parts of the country without any discernible geographic bias. We see merit in considering a national PRS strategy which includes the top markets across the entire UK. This would include parts of London when pricing and individual opportunities allow, but the rest of the country should play an important role in a diversified, income-based strategy.

Sources include: ARLA, DCLG, Kate Barker, Halifax, Mortgage Advice Bureau, Mortgage Strategy, MSCI IPD, National Housing & Planning Advice Unit, National Savings & Income, Nationwide, ONS, Oxford Economics, PWC, Santander, Slater & Gordon, Student Loans Company, Thomson Reuters, Zoopla.

**Rental Growth vs House Price Growth**



Source: LaSalle, Nationwide, ONS. Rental growth data refers to England rather than UK



# SHEFFIELD HOUSING COMPANY – CASE STUDY

John Clephan

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*John works for Sheffield City Council as the client for Sheffield Housing Company. His career background is in housing and economic regeneration, joining Sheffield Council in 2006 to lead the delivery of the housing market renewal programme in the north of the city. In 2009 the council went to the market to find a private sector partner to set up a housing company through which to continue the transformational regeneration work that was taking place. John played an instrumental role on the negotiating team for the council and now manages the council's relationship with the Sheffield Housing Company.*

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John presented a paper at last year's Presidential Conference in Salford about this valuable partnership initiative to build and manage much-needed housing and environments. He illustrates it with photos of high quality houses.

In 2011, Sheffield City Council entered into a partnership with Keepmoat and Great Places Housing Group to form a unique housing regeneration company.

The venture represented the largest public/private sector new housing initiative in the council's history. Five years after its establishment, Sheffield Housing Company (SHC) is living up to expectations and delivering much more than just quality housing for the people of Sheffield.

## **The need for change**

In the late 1990s a number of Sheffield's suburban neighbourhoods were suffering from decline. During the 1930s and 50s certain areas of the city experienced rapid housing growth through public sector council house-building programmes. The housing growth was responding to the needs of an expanding workforce centred around the steel and coal industries. The new housing predominantly comprised 2 and 3-bedroomed, semi-detached properties.

By the 1980s and 90s, the city's core industries had been reducing

their workforce for a number of years and unemployment in these neighbourhoods was rising. This, along with under-investment in the neighbourhood infrastructure, and a cultural change in the desire for home ownership rather than renting social housing, were all factors that meant that these once thriving areas were on the verge of housing market failure.

Around the turn of this century, Sheffield Council recognised that a radical change was required in order to help these neighbourhoods return to the vibrant, desirable places they once were. The physical fabric of these places needed to be transformed to provide a greater choice of housing (tenure and type), attractive public spaces, and strong local and district centres offering easy access to services for the residents.

Between 2001 and 2004 widespread consultation took place, jointly led by the council, local voluntary organisations and residents, to produce a strategic vision and masterplan for each neighbourhood. The resulting masterplans were adopted by the council in 2005 as development briefs for the physical changes to come and material consideration in the planning approval process.

The masterplans proposed investment into the parks and shopping areas. In order to create the housing choice required, the proposals included the relocation of tenants and the

demolition of thousands of social rented properties. These demolitions were to create many hectares of brownfield development land on more than 30 separate sites.

Over a 5-year period, while the council invested in the neighbourhood public realm and open spaces, it attempted to engage the private sector in developing homes for open market sale on the brownfield land. This approach was met with limited success. The private sector had little interest in what were considered to be high risk developments in areas with low land values and no established market for open market sale housing.

This was the context in which the concept for Sheffield Housing Company was conceived. In 2007 the government released the Housing Green Paper – Homes for the Future. In that paper the government encouraged local authorities to consider using their land assets creatively to increase the number of new homes being built. With considerable support and advice from the Homes and Communities Agency, over the following 2 years, Sheffield Council developed its business case for packaging 22 brownfield sites, totalling 60 ha. of land, to be delivered through a public/private partnership.

## **Choosing a partner**

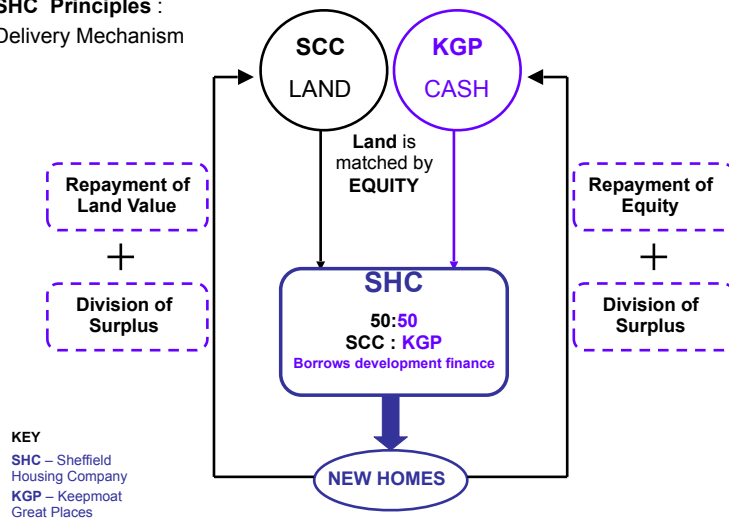
In 2009 the council put the opportunity to the market through OJEU and

following competitive dialogue procurement, a consortium of Keepmoat and Great Places Housing Group was selected as the partner with which the council would set up Sheffield Housing Company.

- Keepmoat brings significant experience of delivering major housing development schemes through public/private partnerships. It provides house building expertise along with an established sales office function
- Great Places Housing Group is one of the largest developing housing associations in the north of England, it works in some of the most disadvantaged neighbourhoods, to meet the differing needs of the diverse communities it serves
- Sheffield City Council provides the development land, the strategic vision for change, and the knowledge of the housing need and demand in the city's neighbourhoods.

Sheffield Housing Company was established in July 2011 as a long-term regeneration vehicle to address the threat of housing market failure in specific neighbourhoods, creating thriving, desirable places to live. The company is to develop over 2,000 homes on 60 ha. of brownfield land,

#### SHC Principles : Delivery Mechanism



across 7 neighbourhoods, over a 15-year period. The majority of the properties will be family homes for open market sale, with a small proportion for affordable rent and shared ownership.

#### ***Benefits of a joint venture housing company***

The benefits that the council seeks to achieve through SHC are:

Influence over pace of delivery – As stated, the neighbourhoods in which SHC operates are predominantly areas which have multiple social and economic issues that result in higher levels of deprivation and weaker housing markets. The council's vision is that the delivery of new homes will act as a catalyst for wider social and

economic change in these areas. This requires the housing to lead the way: driving the economic and social change as confidence in these areas returns.

High quality homes – The new homes must have a transformational impact on the neighbourhoods. They must be spacious and adaptable, with the ability to accommodate the changing needs of residents for generations, regardless of stage of life or lifestyles requirements.

Improved neighbourhoods – The work of the company facilitates long-term regeneration in the areas, contributing to the local economy and community well-being through the building and maintaining of high quality homes. It does this through engaging local businesses and trades in its supply chains, developing links with local





education and training providers, and supporting community development initiatives.

Best consideration for council assets – The council obtains this through transparency of financial accounting providing the ability to be satisfied of the land asset value. In addition to land value, as a shareholder in the company the council will receive a dividend payment for any profits that are made.

### ***The company structure***

Sheffield Housing Company is a private company limited by shares. The shareholdings are equal between Sheffield City Council and Keepmoat Great Places (as a consortium). The company is run by a board of directors with the shareholders each nominating 3 directors onto the board. SHC employs its own staff to work with the partner organisations in the delivery of its annual business plan.

The sites are grouped together into phases. When a phase of sites is designed and ready for development, the land value is agreed and the sites are transferred from the council into the company. The private sector partner matches the agreed land value with equity and any further development finance that is required is secured by the company. Following completion of a phase, the initial equity investments are repaid to the partners and any distributable profit paid to the shareholders (see diagram on previous page).

### ***Achievements to date***

The photographs clearly illustrate SHC's achievements.

#### Pace of delivery

SHC is nearing the completion of the first phase of development which comprises 3 sites. To date, 266 homes have been built and sold, out of a phase of 293. While the 1st phase will not complete until August 2016, the company has already commenced the 2nd phase which comprises a further 478 homes and marks the introduction of the company into all of the identified neighbourhoods.

Meeting the city's housing target was not the original reason for establishing SHC. However it does make a substantial contribution to the council's wider housing strategy in this regard. Since SHC started building in mid-2012, it has delivered more homes each year than any other developer in the city. Considering the marginal nature of the areas in which it is building and selling new homes, that is a remarkable achievement.

#### Quality homes

SHC homes are built with future resilience and adaptability in mind. For this reason, the Lifetime Homes mark is achieved as standard across all sites.

Space standards have always been an important aspect of quality for the company to excel in. The impact of adequately spacious homes on quality of life, health and educational attainment is now well documented. SHC house types exceed all of the good practice minimum space standards proposed by the recognised housing institutions over the past 50 years. This includes the current government proposed national minimum space standards for new homes.

#### Improved neighbourhoods

The opportunities for long-term economic and social support, when a developer is operating in a neighbourhood for 15 years, are considerable. SHC has already supported 31 apprentices, created 27 jobs and invested £6.25m into the local economy through the delivery of the first phase of housing development. By the end of the 15-year period, those totals are projected to be 200 apprentices, 400 jobs and in excess of £50m invested with Small and Medium Enterprises in the Sheffield City Region.

#### Value for council asset

With the first phase almost complete, SHC is confident that it will be able to pay all its debts, including the agreed land value to the council, along with a profit share to its shareholders. In addition to this, the council has been

able to benefit from new Council Tax generated, New Homes Bonus and capital funds for infrastructure investment secured through s106 by the local planning authority.

### ***Lessons learned***

It is still relatively early days in terms of what SHC can achieve for Sheffield. It is hoped that its success will continue. However, as it grows into an established stakeholder in the city, the partners are fully aware that there will still be many challenges ahead of them that they will have to face and overcome.

Of the numerous lessons learned through the company's establishment and early years of operation the 3 that stand out for the council are:

- Adequate resourcing – To attempt to establish successfully a partnership venture on the scale of SHC without a dedicated staff resource would increase the risk of failure tenfold. The temptation to ask staff to develop such a project as part of their day job is high. However, it is a false economy
- Robust contracts – The partners within SHC have a strong track record of achieving together; however, that has not come from a natural affiliation and mutual understanding. The partners constructed the contractual documents to guide their partnership working. They clearly describe their roles and the operational processes they all need to follow throughout the 15-year venture, along with the original intentions behind the partnership
- Incentivised delivery – Regardless of the fluctuations in the housing market or in the political environment, all partners achieve their individual benefits if SHC delivers to the build programme. Constructing the relationship in this way has meant that when problems that require a collective solution have arisen, all partners come together to focus on the one aim – to build quality houses in Sheffield.

# GLASGOW CITY REGION

## - £1.13 BILLION CITY DEAL

Glasgow City Region City Deal Programme Management Office

Here is another example of collaboration on a grand scale, of the 8 councils around the Clyde Valley.

### Headlines

An agreement between the UK Government, the Scottish Government and a partnership of 8 local authorities across Glasgow and the Clyde Valley has secured a £1.3bn City Deal, the largest in the UK.

The City Deal will bring tens of thousands of jobs to the Glasgow City Region over the next few decades, through 26 projects. Of these, 20 are infrastructure projects; 3 will drive innovation and growth through the support of key sectors such as life sciences; and a further 3 projects will address challenges in the region's labour market.

The Deal is expected to give the Glasgow City Region a permanent uplift in its Gross Value Added (GVA) of £2.2bn per annum (4.4%); generate 15,000 construction jobs during the construction period and 28,000 permanent additional jobs once construction is complete. The Programme is also set to unlock a number of new, high profile development sites across the region and deliver £3.3bn of private sector investment.

The 8 local authorities participating in the City Deal are: East Dunbartonshire Council; East Renfrewshire Council; Glasgow City Council; Inverclyde Council; North Lanarkshire Council; Renfrewshire Council; South Lanarkshire Council and West Dunbartonshire Council.

### Background

Glasgow and the Clyde Valley is at the heart of the Scottish economy, the largest City Region in Scotland and one of the largest in the UK, with a population of 1.8m, clustered around a vibrant urban core with world-class educational, recreational and business facilities.

The region benefits from numerous economic assets, with existing strengths in areas including financial services, life sciences, engineering, manufacturing and creative and media industries. Successful universities and research institutes provide the space for both innovation and the people who will drive the city's development. More widely, the region benefits from a highly skilled workforce across a wide range of industries.

Glasgow City Deal Programme Management Office Director, Alan Vesey said, "Glasgow and the Clyde Valley is one of the fastest growing City Regions in the UK and the City Deal will drive further economic growth through 26 key projects. Most of these are infrastructure projects and the partners will be seeking inward investors, developers and occupiers for a range of stunning new sites with infrastructure laid in."

### Infrastructure programme

The infrastructure programme includes projects for roads, bridges and improved transport infrastructure, quay

walls, remediation, construction, public realm works, design and architectural consulting services, legal and professional services, to assist further capital developments for housing, retail and commercial. Details of these projects are contained in the table on page 21.

Although the infrastructure projects will be delivered over a period of 20 years, the bulk of procurement is expected to take place in the first 5 years, with the majority of contracts advertised and awarded through Public Contracts Scotland ([www.publiccontractsscotland.gov.uk](http://www.publiccontractsscotland.gov.uk)).

Confirming the partners' commitment to working together under the umbrella of the City Deal, a procurement strategy has been created by the partners to explore and develop best practice, provide a more common and consistent experience for suppliers to local government (in areas such as policies, payment timeframes, terms and conditions, information requirements) and to maximise opportunities for community benefits.

### Business growth and innovation

Three other projects will support the growth of small and medium enterprises and the life sciences sector:

- The development of the Glasgow University-led Imaging Centre of Excellence (ICE). The new Queen Elizabeth II Hospital Campus will

provide ground-breaking medical research and commercialisation facilities for clinical researchers and companies developing new products and services in the life science sector. ICE has secured £16m of City Deal funding from the Department for Business, Innovation & Skills

- The £4m MediCity Scotland facility based at Euro Central Business Park will bring together academics, entrepreneurs, clinicians and business support services to boost the development of new healthcare services and medical technology. This project is expected to create 150 jobs within new med-tech companies over the next 5 years
- The development of a new £4m Centre for Business Incubation and Development in Glasgow's Merchant City. This 5-year project will provide quality, flexible work spaces for growing small to medium sized enterprises and a highly focused account managed service from dedicated business advisers.

## Employment and skills

Three labour market projects will also help to address local employment challenges:

- A new £9m employment scheme for individuals in receipt of Employment Support Allowance will work with 4,000 people, assisting at least 600 people into sustained work
- A £15m integrated employment programme for young people (aged 16 – 24) will work with 15,000 young people over the next 3 years, helping 5,000 into sustained work
- A pilot labour market progression programme in the care sector to support the training and development of staff in low income jobs, boosting wages and reducing reliance on in-work benefits.

## Substantial new steps

At the February 2016 City Deal Cabinet,

2 substantial new steps were agreed towards the closer integration of the 8 councils in the region. The leaders of the 8 member authorities agreed to rebrand the £1.13bn programme as the Glasgow City Region City Deal (from the Glasgow and Clyde Valley City Deal). The Cabinet also agreed to build on the success of the project by commissioning a Regional Economic Strategy for the whole region, which will run from summer 2016 to 2030. The strategy will set out clear and coherent vision for the economic future of the region.

The change of name from "Glasgow and the Clyde Valley City Deal" to "Glasgow City Region City Deal" reflects the fact that Glasgow has a high level of recognition and positive profile domestically and internationally. The creation of a specific brand based around the Glasgow City Region will make it easier to promote the benefits of the City Deal to inward investors and domestic businesses who stand to win work as part of the City Deal.

This is an approach which has been successfully adopted by the City Region's major domestic competitors such as Manchester, which has created a single brand covering the whole of Greater Manchester.

Since its first meeting in August 2015, the Glasgow City Region City Deal Cabinet has approved £82m of funding towards projects, with a total value of £1.09bn.

For more information, contact [citydealGCV@glasgow.gov.uk](mailto:citydealGCV@glasgow.gov.uk)

### Case study: Metropolitan Glasgow Strategic Drainage Plan

In February 2016, the Glasgow City Region City Deal Cabinet approved £3.17m of funding towards the next stage of the delivery of the £46m Metropolitan Glasgow Strategic Drainage Plan (MGSDP), the creation of its full business case (see diagram on page 23).

The MGSDP – seen as an exemplar project in and beyond the UK through

its partnership working on urban flooding – was formed to tackle the deficiencies in Glasgow's drainage system. It is expected that by the end of the project, the improvements delivered will bring an annual economic boost of over £65m to the City-Region and allow the building of 22,000 new homes on brownfield sites whose development is currently not economically viable.

In addition, the work will reduce the risk of flooding for more than 7,000 existing properties and over 30km of roads, delivering an annual £2.3m reduction in average damages and a drainage capacity of 4,747 litres per second.

The key objective of the MGSDP, which will deliver these improvements in 14 areas all across Glasgow, is to help increase sustainable economic growth in the Glasgow City Region by removing drainage constraints to regeneration, including the facilitation of the regeneration of vacant and derelict land, and increasing GVA through reducing the negative impact of flooding. The removal of drainage constraints has been recognised as key to increasing Glasgow's economic growth, in particular since the 2002 floods.

More recent national experience of flooding and its negative impact has emphasised the need for city regions to have robust flood defences and drainage provision in order to guard against negative economic consequences.

The project is a partnership between Glasgow City Council, Scottish Water, Scottish Environment Protection Agency, and other Clyde Valley local authorities.

The MGSDP is expected to release over 1.33m sq m of land for housing development; over 44,000 sq m for office development; and almost 30,000 sq m for industrial development. This will attract businesses to locate in the Glasgow City Region due to the available floorspace and labour force, increasing the area's productivity.



Infrastructure Projects	Summary	Sub Projects	Anticipated Procurement Activity *	Approximate Funding	Lead Local Authority
<b>M77 Strategic Corridor</b>	Various projects around M77 including new visitors centre, new road link, business incubation facilities, employment links, country park improvements and new rail station.	<ul style="list-style-type: none"> <li>Levern Works Barrhead - business opportunities</li> <li>Damstodarnley Country Park</li> <li>Enhanced road Network</li> <li>New Railway Station - Barrhead South</li> <li>Business Incubation Hub</li> <li>Foundry Links Business extension</li> </ul>	Ground works contractor - currently out to tender Q1 2016 Q1 2016 Q2 2016 Q1 2016 Q1 2017	£44 million	East Renfrewshire
<b>Metropolitan Glasgow Drainage</b>	Portfolio of 14 projects including realignment of watercourse channel, dynamic management of Forth and Clyde Canal and surface water management interventions.	<ul style="list-style-type: none"> <li>Camlachie Burn</li> <li>East and North Improvements</li> <li>South Improvements</li> </ul>	Q2 2016 Q2 2016 - 2017 Q2 2016 - 2018	£45.8 million	Glasgow
<b>Canal and North, including Sighthill</b>	Site remediation and servicing, new bridges and road access, public realm improvements and implementation of public transport and active travel infrastructure.	<ul style="list-style-type: none"> <li>Sighthill Remediation</li> <li>Sighthill Infrastructure</li> <li>Cowlairs Bridge</li> <li>M8 Bridge</li> </ul>	Procurement Activity Complete Q1 2016 - Q3 2016 Q1 2016 - Q2 2016 Q1 2016 - Q3 2016	£83.6 million	Glasgow
<b>City Centre Enabling Infrastructure Public Realm</b>	Public Realm and place making improvements, including implementation of traffic management, local cycle infrastructure, surface water management interventions and street trees, implementation of traffic management, bus priority and local cycle infrastructure.	<ul style="list-style-type: none"> <li>Central District</li> <li>St Enoch District</li> <li>Merchant City District</li> </ul>	Q4 2016 - Q3 2017 Q4 2016 - Q3 2018 Q4 2016 - Q3 2019	£115.5 million	Glasgow
<b>Clyde Waterfront</b>	Improvements to pedestrian/cycling routes and public transport links including new pedestrian/cycle bridge, upgrading a motorway/dual carriageway junction, land remediation, environmental improvements including public realm and works to enhance access and integrity of river frontage including Quay Wall works.	<ul style="list-style-type: none"> <li>Byres Road/Quay Walls</li> <li>Yorkhill and SECC</li> <li>Waterfront</li> </ul>	Q2 2016 - Q3 2016 Q2 2016 - 2017 Q2 2016 - 2018	£113.9 million	Glasgow
<b>Collegelands Calton Barras</b>	Station upgrade, junction improvements, land remediation, access works, environmental improvements, master planning and public realm improvements.	<ul style="list-style-type: none"> <li>Calton Barras</li> <li>Collegelands Development</li> </ul>	Q2 2016 - Q3 2016 Q2 2016 - 2017	£27 million	Glasgow
<b>Inchgreen</b>	Land remediation, access works and pier upgrading.		Not yet confirmed	£9.4 million	Inverclyde
<b>Ocean Terminal</b>	Extension of quay way and development of derelict land.		Q1 2016 - Q3 2016	£14.2 million	Inverclyde
<b>Inverkip</b>	Land remediation and development of waterfront access.		Q1 2016 - Q3 2016	£3.8 million	Inverclyde
<b>A8/M8 Corridor Access Improvements</b>	New road infrastructure to exploit established commercial development on the A8/M8 corridor and expand road to rail freight activity, alongside park and ride/share facilities.	<ul style="list-style-type: none"> <li>Holytown Link Road</li> <li>Eurocentral/Newhouse Park and Ride/Share</li> <li>Orchard Park Roundabout</li> </ul>	Not yet confirmed Not yet confirmed Not yet confirmed	£12.6 million	North Lanarkshire
<b>Gartcosh and Glenboig Community Growth Area</b>	A mixture of new road, junction, park and ride and commercial development to support the development of the Community Growth area, Growth area, road to rail freight activity and Gartcosh Business Interchange.	<ul style="list-style-type: none"> <li>Gartcosh/Glenboig Link Road</li> <li>Wider CGA Subprojects (indicative)</li> </ul>	Not yet confirmed 2021	£66.3 million	North Lanarkshire

<b>Pan Lanarkshire Orbital Transport Corridor</b>	A new East Airdrie link road from Newhouse to Stand to support orbital transport movements and heighten connectivity within the GCV Region alongside a package of infrastructure investment within Motherwell town centre and rail station.	<ul style="list-style-type: none"> <li>• EastAirdrieLinkRoad</li> <li>• Muir Street Extension</li> <li>• MotherwellStation Footbridge, ParkandRide</li> <li>• A723 Improvements</li> </ul>	2021 - 2022 2018 - 2019 2017 - 2018 2018 - 2019	£93.6 million	North
<b>Clyde Waterfront and Renfrew Riverside</b>	New opening bridge crossing the River Clyde in the vicinity of Renfrew and Yoker. New Renfrew Northern Development Road and associated Green Network Improvements.		Q1 2016 - Q4 2019	£78.3 million	Renfrewshire
<b>Glasgow Airport Investment Area</b>	Realignment of Abbotsinch Road and other access improvements including White Cart crossings to open up vacant development sites and enable Glasgow Airport expansion and other developments.	Sub-contract opportunities through main contract	Q1 2016 - Q4 2019	£51.4 million	Renfrewshire
<b>Airport Access</b>	Improved surface access between Glasgow City Centre, Paisley and Glasgow Airport.		2016 - 2021	£144.3 million	Renfrewshire/ Glasgow
<b>Cathkin Integrated Roads</b>	Road infrastructure works, including relief road, quality bus measures and associated pedestrian and cycling improvements at Rutherglen.		Procurement Activity Complete	£21.6 million	South Lanarkshire
<b>Greenhills Road A726</b>	Road widening to dual carriageway in East Kilbride.		Q4 2016 - 2017	£23.1 million	South Lanarkshire
<b>Stewartfield Way Transport Capacity Improvements</b>	Upgrading road to full dual carriageway at East Kilbride, including the provision of a flyover.		2017 - 2018	£62.2 million	South Lanarkshire
<b>Community Growth Areas</b>	Infrastructure improvement works designed to unlock development and promote investment in key sites at Newton, Hamilton, Larkhall and East Kilbride.	<ul style="list-style-type: none"> <li>• Newton Community Growth Area</li> <li>• East Kilbride Community Growth Area</li> <li>• Hamilton Community Growth Area</li> <li>• Larkhall Community</li> </ul>	Procurement Activity Complete Q3 - Q4 2016 Q2 2016 Q1 - Q2 2016	£62.3 million	South Lanarkshire
<b>Exxon Site Development Project</b>	Remediation and site raising works; provision of services and utilities; new road access and junction improvements.		Not yet confirmed	£27.9 million	West Dunbartonshire
<b>Strathclyde Bus Investment Programme (SBIP)</b>	A package of bus improvement measures across Glasgow and Clyde Valley.		Not yet confirmed	£30 million	SPT

\* Public Contracts Scotland will be updated with actual procurement dates, when confirmed.

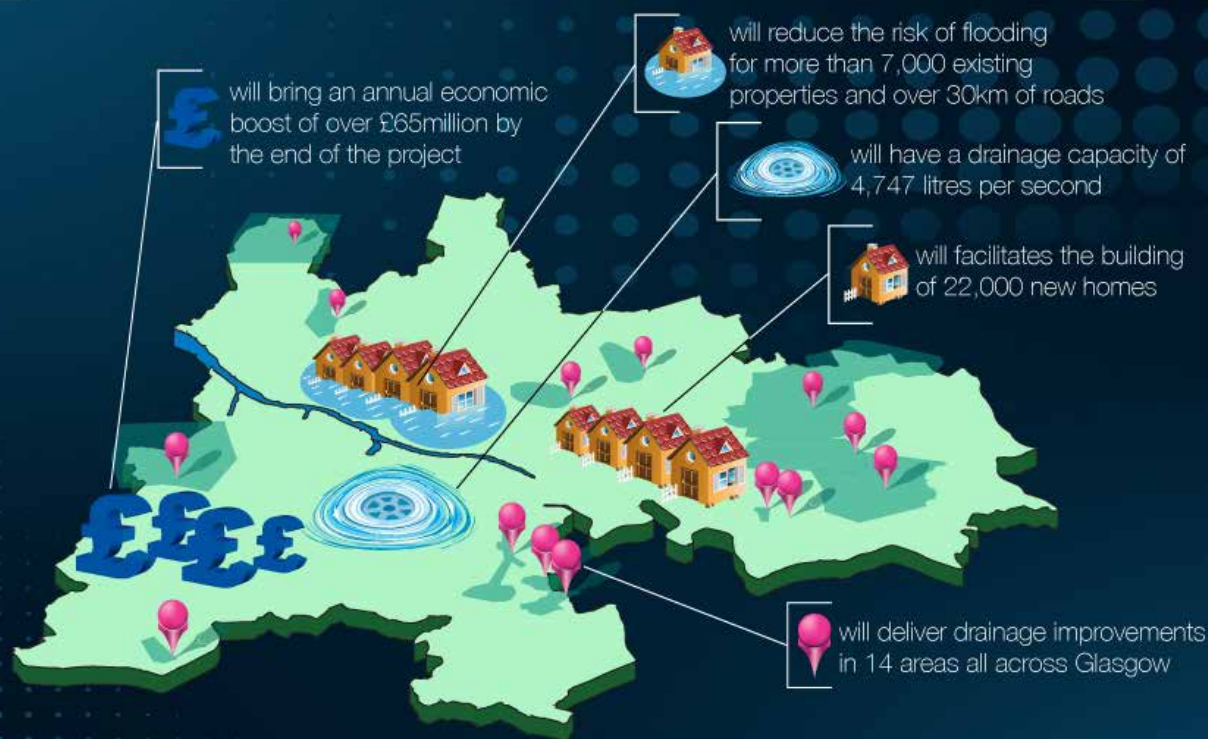
The green-blue infrastructure (infrastructure that works with the natural environment rather than against it) delivered by the MGSDP will support regeneration through flood mitigation, enhanced climate change resilience and unlocked development potential. In addition, the aesthetic, ecosystem and health benefits will

act as a further catalyst for ongoing economic investment.

The locations in which the MGSDP work will take place include: Aikenhead Road/Overwood Drive; Baillieston/Garrowhill; Camlachie Burn; Cardonald/Hillington; Cardowan; Cockenzie Street; Croftfoot; Darnley Mains; Drumchapel;

Fullarton Avenue; King's Park; high Knightswood/Netherton; and east Springburn. In addition, the North Glasgow Integrated Water Management Scheme (a component of the MGSDP) will meet the surface water drainage needs of Sighthill, Dundas Hill, Cowlares and Hamiltonhill around the Forth & Clyde Canal.

## £46million Metropolitan Glasgow Strategic Drainage Plan (MGSDP)



It is expected to release over 1.33million square metres of land for housing development; over 44,000 square metres for office development; and almost 30,000 square metres for industrial development

The MGSDP is funded by the Glasgow and Clyde Valley City Deal

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## DIGITAL LIVING – UNDERSTANDING THE FUTURE OF CITIES AND PUBLIC SERVICES

Paul Greenhalgh, Kevin Muldoon-Smith,  
and Emine Thompson

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*Kevin Muldoon-Smith is a Research Consultant and Associate Lecturer at Northumbria University. He is co-founder of R3intelligence consultancy, specialising in property market information and research. His expertise exists at the interface of real estate development, finance and public policy in which he is widely published in academic and professional circles. His current research and consultancy projects are in 2 main areas: first, the impact of government policy on real estate and public finances in the UK; second, the use of big data to model urban real estate stock characteristics and occupier search behaviour. kevin.muldoon-smith@northumbria.ac.uk*

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Research at Northumbria University is bringing forward some exciting uses of 'big data' for the public sector. This is not for the feint-hearted!

### **'Big data'**

Traditionally, the challenge for local government surveyors and property managers has been the generation of meaningful and timely information that can be used to inform and improve the management of the public sector estate. Today, the challenge is no

longer the timely generation of urban property data, rather, it is in relation to how so much information can be exploited and integrated successfully into contemporary public sector property management.

Central to this challenge is 'big data', the notion that society and its institutions can glean from huge digital information resources, insights about urban living that could not be grasped when we use small data sets. Researchers, such as Kenneth Neil Cukier and Victor Mayer Schoenberger, indicate that as recently

as the year 2000 only 25% of the world's information was held in digital format, the rest remaining in analogue format. Fast forward 16 years and only 2% of the world's information is non-digital. Furthermore, on a daily basis, we produce 25 quintillion bytes of data through online activity. These stark figures describe the size of the digital opportunity, but also the concurrent challenge that its velocity, volume and variety presents in terms of data acquisition, management, ownership and access.

The urban data scientist is a relatively new role which has emerged to make sense of all this digital data and to move local government towards the ideals of the smart city. However, because of its infancy, data science skills are lacking in this ever expanding area. The skills deficit undermines the exploitation of information (both new and old), particularly the potential of using it to establish long-term management solutions for cities and more efficient delivery and maintenance arrangements for the public sector.

### **Public sector opportunities**

Skill shortages exist in several areas, but primarily reside in Building Information Modelling (BIM), Geographic Information Systems (GIS), virtual city modelling, Space Syntax, the internet of things and the use of big data, especially its associated mining, analysis, visualisation and communication. This shortfall in knowledge (and experience) impedes the ability of local authorities to model their administrative domain, disaster management and climate change adaptation scenarios, energy systems and transport networks. Illustrating this situation, conduct a Google search of central and local government open data portals and assess the quality and usability of information. It is soon evident that few move beyond unstructured dumping grounds for older, so called dark data (operational data that is not being used); although, good examples do exist, such as the Leeds Data Mill, Open Glasgow and Milton Keynes: Smart.

All of these terms, big data, data science, and the smart and future city, remain ambiguous and ill defined. What is data and where does it come from? Why is it created, by whom and what does it seek to represent? How reliable, representative and relevant is the data? What types of data are available and useful to us? How should such data be deployed to contribute to smart and future city modelling and analysis? However, what does seem certain is the growing size and potential of the smart and future city, where Arup estimates that the global

market for smart urban services will be \$400bn p.a. by 2020. Illustrating this potential, relative modern activity has recently been used to map the extent of China's ghost cities (uninhabited locations built in the expectation of population growth and movement). This reveals the opportunity to use a similar methodology to understand and manage the performance of the local government estate, currently being road-tested at Leeds City Council.

It is therefore important to note that the emergence of future and smart cities is not just an interesting subtext for the destiny of public services, or the provider of the next set of empty buzz words to be inserted into policy documentation (and consequently ignored); rather, the 'future' and 'smart' city focus should be entwined with the future of public services. Illustrating this situation, following the recent announcement of full business rate retention after 2020, the performance of the commercial built environment will be central to the ongoing financial security of public services. To thrive in

this new model of public finance, local authorities will have to cultivate and manage their commercial real estate assets. In order to do this, they will need to secure, harness and exploit the power of local property, consumer demand and finance data.

In order to fill some of this deficit in knowledge, we are working on 2 ongoing projects in the Department of Architecture and Built Environment at Northumbria University, namely Geo-Visualising Commercial Real Estate Markets (GV-CREM) and Virtual Newcastle Gateshead (VNG).

The first project, GV-CREM, has generated an experimental multi-criteria urban real estate model which seeks to understand the nature and vitality of commercial real estate markets in England and Wales. Initial modelling has focused on Newcastle upon Tyne (Tyne and Wear), Leeds, and Croydon, all 3 of which exhibit large, mature commercial real estate markets and offer the potential for inter and intra-regional comparative analysis. The

Figure 1: Topographical representation of commercial real estate stock in Tyne and Wear

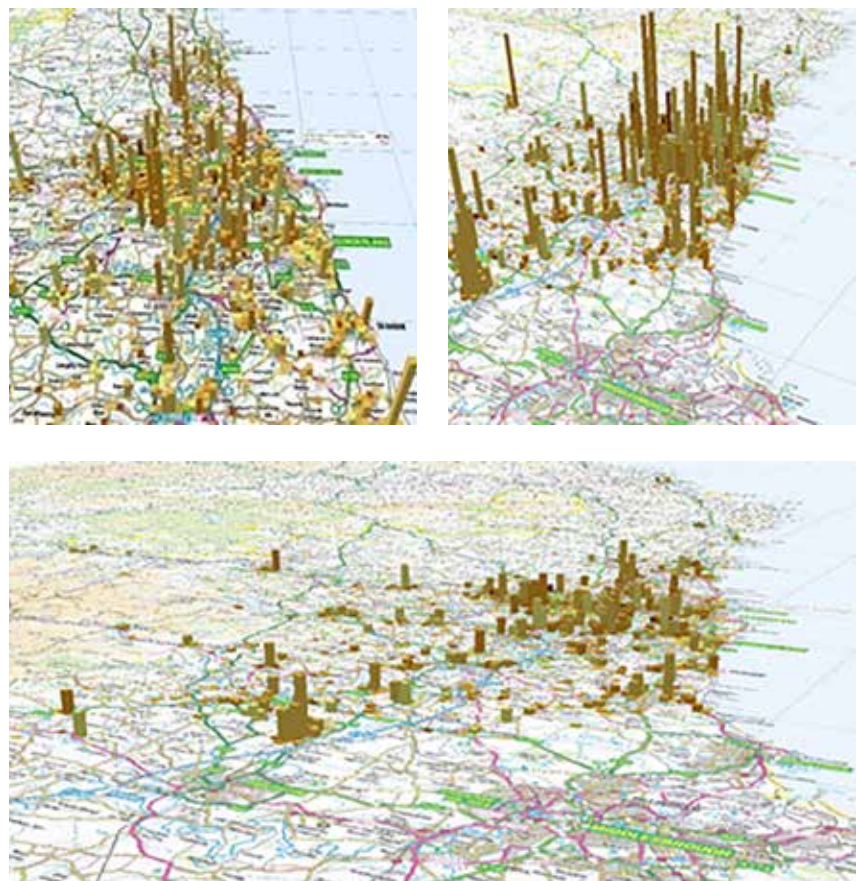
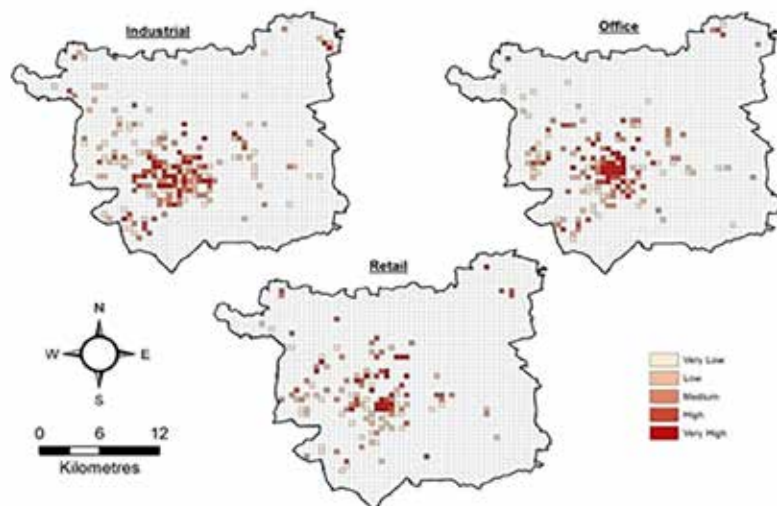




Figure 2: Potential occupier preferences in Leeds



underlying data is non-geometric and rests upon a GIS dataset comprising physical characteristics of commercial and industrial floorspace, occupancy status and rental value information.

The UK-wide source database contains approximately 5bn sq.ft. of floorspace data (1bn sq.ft. of office, 1bn sq.ft. of retail and 3bn sq.ft. of industrial space) and has its origins in the National Summary Valuation Data Set and National Non Domestic Rating Returns created by the Valuation Office Agency (VOA). The model is also capable of incorporating user/occupier preference signals secured through internet search activity. The data model is intelligent, can be disaggregated to individual buildings or aggregated to the metropolitan or the functional economic area, and can be visualised in

both 2D and 3D (with potential for 4D longitudinal analysis using time series data). The 3D representation in Figure 1 demonstrates the utility of this model, where the height of each tower indicates the quantity of floorspace in each location and the colour denotes the relative value of that floorspace, while Figure 2 describes the spatial distribution of potential office, retail and industrial occupier search preference in Leeds.

The intention is to use these urban search signals in the future to analyse the relationship (and potential mismatch) between the location of office, retail and industrial premises and where potential occupiers of these types of commercial and industrial floorspace actually want to locate.

The second project, Virtual Newcastle Gateshead (VNG) (Figure 3) is geometric and has been designed to visualise the urban fabric of neighbouring settlements of Newcastle upon Tyne and Gateshead in the north east of England. Initiated in 2008, in partnership with the 2 local authorities, the project provides a definitive, accurate, interactive city model that offers a cost-effective stakeholder communication tool and a way of understanding the wider implications of planning applications. VNG is helping to streamline and increase the transparency of the planning process, supporting a number of research and enterprise activities, and is allowing the university to engage with a number of local and national external parties and public groups.

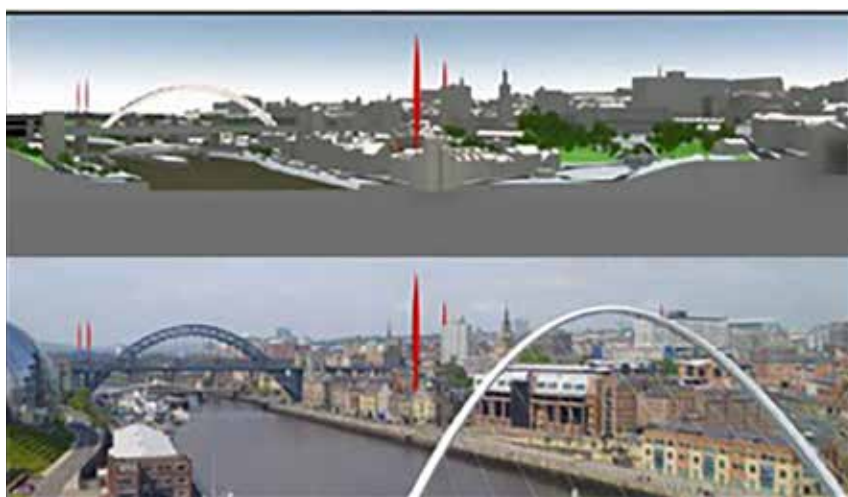
### ***MSc in Future Cities***

However, it soon became clear that both projects only touched the tip of the digital iceberg and that real change could only be brought about by practitioners during their daily working routines. This realisation has led to the creation of the new MSc in Future Cities at Northumbria University, commencing in September 2016 in the Department of Architecture and Built Environment (<https://www.northumbria.ac.uk/study-at-northumbria/courses/future-cities-dtffc6/#modules>). The course includes modules on City Information Modelling, Future City Theories, Data Concepts and contemporary research methods, the continuing imperative for sustainability and the issue of mobility in future cities.

The focus is on up-skilling existing practitioners and educating the future generation of real estate surveyors and managers. Instead of focusing on the traditional pursuits of property valuation, management and redevelopment (although still important) we will be focusing on database development and coding, data mashing, wrangling, mining, analysis, visualisation and communication. The key tools of the trade will be BIM, GIS, statistical programming languages like R, Python and SAS, and database querying language such as SQL.

Figure 3: Verification of accuracy of Virtual NewcastleGateshead Model.

Source: Horne, 2009.



The entry requirement for the Future Cities MSc is a Bachelor's degree with honours in any built and natural environment subjects, or computer programming-related subject area or equivalent qualification; for example: architectural/environmental engineering, architecture, city planning, computing, geography, landscape architecture, urban design etc. Furthermore, equivalent professional experience (3 Years+) in the areas mentioned above is welcome as we seek to connect practitioners with the next generation of academic research.

However, most importantly, we are looking for participants who have an interest in the future of cities and the importance of data within this pursuit.

For enquires about the new Future Cities MSc please contact the Programme Leader: Dr Emine Mine Thompson [emine.thompson@northumbria.ac.uk](mailto:emine.thompson@northumbria.ac.uk)

<https://www.northumbria.ac.uk/about-us/our-staff/t/dr-emine-mine-thompson/>

N.B. Elements of this article are based on the recently published journal paper 'Planners in the Future City: Using City Information Modelling to Support Planners as Market Actors', Urban Planning, 1(1), 79-94.



This is a follow up from a presentation given by Tim Johnson and Francis at a recent ACES Eastern branch meeting. It is a timely reminder of the critical factors in assessing viability of complex development appraisals.

## DEVELOPMENT APPRAISAL AND VIABILITY

Francis Truss

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*Francis is a Director at Cushman & Wakefield with experience in analysing and advising on strategic development issues for public and private sector clients and an Australian Real Estate Investment Trust (REIT). He specialises in advising on infrastructure-led new communities; analysis for land owners with 'difficult'/non-market facing assets; and viability analysis/s106 negotiation on complex schemes. [francis.truss@cushwake.com](mailto:francis.truss@cushwake.com)*

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### **Development appraisal overview**

The development appraisal of any property development scheme is an assessment of its viability and therefore its potential to be delivered in practice. Development appraisals are undertaken for a number of purposes as set out later in this article. Many of the variables within development appraisals are subject to ongoing revision throughout the development process, most notably forecast residential and commercial values, but also build costs and the use of any contingency allowance. The headline elements of a development appraisal are illustrated. The key principle of a development appraisal is that the projected Gross Development Value

(GDV or 'Revenues') matches or exceeds the projected total costs.

Determining the correct variable for the revenue side of the 'equation' is driven by comparable evidence and the interpretation of what the development will be in the future and its ability to control values (i.e. does size and scale give it the potential to be a 'price maker' as opposed to a 'price taker'?).

The cost side of the equation is based on estimations for physical works (construction, infrastructure and abnormals), professional fees and marketing, Community Infrastructure Levy (CIL) and finance. These are the relatively quantifiable elements of the cost base of a development appraisal. The 3 remaining headline

costs/allowances are typically more subjective and variable dependent on market conditions. They are also interrelated and a balance between them must be reached in order to achieve a viable development.

- Developer return
- Site value
- Planning obligations.

Underlying both the revenue and cost side of the development appraisal is how to treat future anticipated growth.

### **Purpose of development appraisals**

There are nuances on the categories



shown in the table and no definitive set of purposes; however, these 3 categories encompass the vast majority of the drivers behind the development appraisals which local authorities utilise. As a general rule, the detail, precision and individuality of the variables within the development appraisals increase from the 1st to the 3rd categories (see table). The Output variable sought in each of the development appraisal categories is different and is driven by the requirements of the respective stakeholders (developer, landowner or local planning authority).



In terms of these 3 most subjective and variable costs/allowances:

#### Developer return

A profit for the developer is incorporated within the development appraisal, to reflect the risk they take on construction costs/programme and movement/uncertainty in the occupier and investor market for property assets.

For commercial (retail, office, industrial, etc.) developments a profit on cost is usually assumed, whereas developers of residential projects generally target a profit on GDV. A number of developers (particularly REITs) also utilise Internal Rates of Return measures. Profit levels will be in a range and are typically driven by:

- The size and scale of the development - if developments are not being delivered in a phased manner (but are of a significant size), then a risk premium would be expected
- The level of occupier risk - for instance, where affordable housing is being developed, this is very low risk as there is a deep and consistent occupier market
- Timing of anticipated receipts - profit levels are reduced if early (and secure) income can be generated – on a residential scheme, this would typically be in the form of affordable housing receipts from a Registered Provider
- Pre lets - even if receipts are not early, reducing the risk through having a major pre-let agreed reduces required profit levels. This can include where local authorities are taking space in some form or other
- Competition in the market - there are some types of development (e.g. major town centre regeneration schemes with complications) with a limited number of developers who have the capability to deliver the scheme and this allows them to push up profit levels.

#### Existing land value

A key test of any assessment of

Purpose	Headline costs/allowances			Growth
	Developer return	Site value	Planning obligations	
Developing long term planning policy (supplementary planning documents, area action plans, etc.)	Will necessarily be a 'high level' and relatively generic assumption based on market norms	A high level assessment of the economic value of the land if no development was to take place	This is the Output for the local planning authority when setting policy (to be maximised)	Typically allowed for, based on the anticipated 'strategic' alterations to the location
Determining planning obligations	Based on the specific uses, micro-location factors, but not based on the specifics of the situation of the landowner or developer	Should reflect the economic value of the specific land area if the proposed development was not to take place	This is the Output for the local planning authority (to be maximised up to the ceiling set by policy)	Not incorporated in base analysis but subject to sensitivity testing
Testing development potential as a landowner/developer to determine the terms of a land transaction and business case decisions	This is the Output for a developer (to be maximised)  Driven by an assessment of the market requirements, dictated by the land use and relative levels of risk and return specific to this development and the parties involved in the transaction	This is the Output for a landowner (to be maximised)  It should reflect a level in excess of the economic value of the land if the proposed development was not to take place	Assumption will be based on the expectation of what is negotiable (not necessarily policy compliant)	Rational market expectations will be implicitly factored into the analysis

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development viability is that the proposed development matches or exceeds the economic value of the land, if the proposed development was not to take place. If there is no underlying minimum value for the land prior to redevelopment, the test of overall scheme viability is that the residual land value is not negative.

The economic value of the land (if the proposed development was not to take place) is not necessarily the same as the existing land value; the land may be underutilised in its existing form and there may be a reasonable expectation of an alternative use for the site. The historic purchase price of the land is only relevant if recent and if the purchase process can be shown to have been robust. However - particularly when in relation to determining planning obligations for a local planning authority - it is important that existing land value assumptions are not based on purchase prices, which include the inherent assumption of the non-fulfilment of all planning policy requirements. In relation to this, paragraph 14 of the National Planning Policy Guidance (NPPG) states that the existing land value which is input in the determination of planning obligations should:

- Provide sufficient incentive for the landowner to release the land for development
- Be the 'Market Value' of the site on a policy compliant basis and reflect emerging policy requirements and planning obligations and, where applicable, any CIL charge
- Provide a competitive return to willing developers and landowners; and
- Be informed by comparable, market-based evidence wherever possible. Where transacted bids are significantly above the market norm, they should not be used as part of this exercise.

#### Planning obligations and viability

While CIL is a statutory requirement on development projects (subject to

some exclusions, e.g. some strategic developments), planning obligations in the form of affordable housing and other s106 items are subject to flexibility, based on the viability of the overall proposed development and are subject to a viability test as set out in the National Planning Policy Framework.

There is an obligation on developers to prove that the scheme is not viable at policy compliant levels of planning obligations. This requires developers to 'fix' the other key variables (appropriate profit level and existing land value) and illustrate that there are insufficient funds remaining to meet policy requirements. This illustrates that these 3 variables are intrinsically linked and flexibility is often required on all 3 elements to ensure that the scheme is viable.



#### **Future growth**

To be at its most accurate - and particularly in relation to long-term regeneration schemes (with the potential to diverge in performance compared to the overall market) - a mechanism is required which enables viability to be looked at retrospectively. This is only appropriate in specific circumstances and relies on the parties to an agreement being able to take a long-term approach and view on returns. For the respective 'purposes of analysis' this means:

- Developing long-term planning policy - typically, growth will implicitly be factored into these assessments based on long-term forecasts
- Determining planning obligations

- s106 agreements can include provisions for a review of 'actual' receipts/costs against the forecast to ensure that the planning obligations are appropriate where there is significant uncertainty. This is not typical but can be appropriate on multi-phase and significant regeneration schemes; it is not usually appropriate on single-phase schemes as there is already alignment between the 2 parties (local authority and developer) in terms of the impact of viability improving/worsening, given that the developer is typically committed to delivering the whole scheme when they start. On multi-phase schemes, the developer can seek to renegotiate s106 agreements - therefore if values/costs change, it is only the local authority that will 'lose out' if no review mechanism is in place

- Testing development potential as a landowner/developer to determine the terms of a land transaction and business case decisions - land agreements often have overage clauses within them on long-term developments which allow future growth to be captured by the original landowner [Ed - see separate article in this Terrier]. However, given that this will usually be a 'one way' bet for the landowner (i.e. they will not take a downside hit if the development is less viable than originally anticipated) the initial land price will reflect this. If both or either party want a fixed price agreement, then the allowance for growth will come down to a negotiation on the basis of the balance of evidence and the weight that can be given to future growth prospects (which can then be embedded in the fixed price).



## A TRICKY MATTER OF OVERAGE

Kevin Joyce

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

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Kevin gives some practical guidance and tips on how to secure the best overall sale price for land.

Few buyers or sellers of land are now unlikely to not be aware of the concept of overage, whereby a seller shares in an increase in the value of a site after its sale. The purpose of this article is to share some views on potential complexities of overage from a seller's viewpoint, with an emphasis on how a seller could best discourage a buyer from seeking ways and means of avoiding the making of overage payments. I would stress though that these are my own thoughts on the topic, and that from the outset of a proposed sale, a seller should seek out expert property consultancy and legal advice from specialists in this field. Initial advice from appointed property advisory specialists could include their considered views on:

- a. whether it would be more beneficial to include either planning overage or sales overage obligations in the disposal, or conceivably both, although this could prove counter-productive should bidders conclude that a seller is looking to be too greedy and therefore decline to submit bids
- b. what the best length of overage period should be stipulated in the terms of sale.

An unduly long or indefinite overage period would run the risk of depressing market interest whereas, for example, a 10-year term from completion could be sufficiently short so as not to dampen such interest, but could still be of sufficient length to discourage a buyer from delaying a development until after expiry of the overage period.

If the marketing brochure and terms of sale should require bidders to include in their submissions a detailed summary of their development intentions, worked development appraisals and a proposed build programme, which I would firmly recommend, then this could offer a seller and property advisers a reasonably good indication of when overage obligations would be most likely to be triggered.

### ***Planning or sales overage?***

Should the seller have full confidence that the maximum development potential of a site has already been identified, whether through having obtained a planning consent for development at a high density or by proposing a sale conditional on a high density planning approval being obtained, then there might be an inclination to favour sales overage instead of planning overage obligations in the sale.

Risks here though could be of either a successful bidder succeeding in

commissioning an architect skilled at squeezing additional floor space even out of a high density scheme through innovative design, basement extension, etc., to realise additional value from development scale, or alternatively, that changes in local and regional planning policies favouring greater development densities could occur in the period between sale and building works commencing, which could also create potential for additional value to be realised.

Several other types of seller risks could be mitigated against in the terms of sale and legal documentation. The terms could stipulate for example, that the overage obligations would apply to all planning consents obtained, to remove any temptation for a buyer to seek an interim planning approval specifically to satisfy planning overage obligations, and then subsequently obtain a more beneficial consent at a greater density. In making specific references to 'substantial completion' of a development or phase of development, as distinct from factual completion of a final unit or units, there should be no benefit to be derived from a buyer deciding to mothball the final unit or units of the development or a phase, with a view to deferring any overage payments indefinitely.

Where the seller should propose to sell land without a specific planning consent, it is not uncommon for



planning overage obligations to refer to formulae to determine how the difference in value of the land with and without planning consent should be calculated and any uplift in value divided, which typically could be on a 50:50 basis, although some bidders might elect to offer up more than 50% of the uplift in their bids and conversely others might offer less than 50%.

If, though, a sale should be proposed with the benefit of an approved planning consent or subject to an indicative illustrative concept scheme being in place, then the initial net sales area of this consent/concept scheme should be known. In these circumstances, bidders could be encouraged in their bids to use this initial sales area figure as a benchmark from which any increase in the scale of development arising from any subsequent improved consent (or consents), and expressed as a specific sum per square metre of any additional net sales figure, could easily be determined.

To minimise any risk of future dispute with a successful bidder, other general points in the terms of sale, specific to overage, which a seller and property advisers might consider should be made clear at the outset, could include conditions along the lines of:

- a. any bidder's costs or expenses incurred in connection with overage are at a bidder's own risk and are not to be deducted from the gross overage figure
- b. any qualifying permission would be the first of either any outline or detailed planning consent granted, with the only permissible delay to the trigger date at which overage becomes payable being any judicial review of any planning consent granted
- c. where the bidder is a special purpose vehicle, overage obligations are not to be circumvented by either a sale of shares in the company or a change in the company's control
- d. overage obligations are not to be

circumvented either by a forward sale of the site prior to development. A charge on the site and/or a restriction on title at the Land Registry should be made to ensure that no transfer of the whole or part of the site can occur prior to the new owner having entered into a Deed of Covenant to make the overage payment (or payments in a phased development)

- e. a bidder is to ensure that its funding source, or sources if more than one, has had sight of the detailed summary of its development intentions, worked development appraisals and a proposed build programme, and is willing to lend against the site subject to a land charge or restriction in title, with the seller reserving the right to make direct contact with the funding source, or sources, to clarify their willingness to lend on this basis.

In a fast-rising property market, where there is a promising prospect of there being a significant increase in the end values of the units being built by the end of the construction period, the seller and advisers might be inclined to favour sales overage instead of planning overage.

Should there be a clarification period following the close of receipt of bids, which I would advocate, this could present a good opportunity for the seller's advisers to flush out the details of shortlisted bidders' projected end sales values set out in their development appraisals, so as to determine if the end sales projections are unrealistically low, or are reasonably accurate, or are overly optimistic.

As the sales projections of the successful bidder would need to be compared, in time, with the values actually achieved on development and sale, an overage monitor might need to be appointed to check regularly on development progress and sales. If the marketing brochure and terms of sale should state that a monitor is to be appointed by the seller, but the monitor's costs being paid for by the buyer, then although the

successful buyer might not like such an arrangement, they are less likely to challenge the arrangement should it have been made clear at the outset and again clarified in the competitive tension period when shortlisted bidders are being interviewed.

The marketing and terms of sale could also make it clear, should the seller so decide, that no purchaser incentive deductions, such as discounts for early exchange, payment of Stamp Duty or legal costs, or of white goods costs, etc., would be deductible from the end sales achieved for overage calculation purposes, which could also again be clarified in interview of shortlisted bidders.

Whereas the onus would be on the seller's specialist property advisers to ensure that the most financially beneficial overage conditions are included in the sale, specialist legal advisers could also usefully input into the terms of sale and might, as an example, suggest the inclusion of a good faith clause so that if a dispute should end up in court, then the court could more readily imply terms to the agreement where they are unclear.



# COMFORTABLY NUMB – ARE WE GETTING LAZY WITH OUR ASSET MANAGEMENT APPROACHES?

Susan Robinson and Chris Brain



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*Chris Brain FRICS is a Senior Property Advisor within the CIPFA group. Chris delivers the CIPFA's Asset Management Network and Property Training Network, advises on asset management issues and undertakes a range of related consultancy. He has worked with many authorities, providing consultancy and training including strategic approaches to asset management and delivering efficiencies. [chris.brain@cipfa.org.uk](mailto:chris.brain@cipfa.org.uk)*

CIPFA Property: [www.cipfa.org/services/property](http://www.cipfa.org/services/property)



Chris and Susan from CIPFA give practical advice about better ways of approaching asset management plans to make them more effective. For authorities: what is their policy, what is their strategy and what is their action plan?

## Introduction

Asset management planning has been around now in local government for around 15 years. Long enough one might have thought for authorities to have decided what it is that they want from their asset management planning and how this should be documented in a way that reflects the local needs and priorities of that authority.

But our recent review of local authority asset management plans from CIPFA's Asset Management Network members suggests that many authorities are still largely following the asset management plan format devised for

them 15 years ago, and many do not seem to have moved on since. Many of these asset management plans are big. I mean really big. To quote Douglas Adams "you just won't believe how hugely, vastly and mind-bogglingly big" some of them can be. Some of them could almost be an idea for a new Woody Allen film entitled "Everything you wanted to know about property but were afraid to ask".

One can never be sure why exactly so many AMPs have to be so big, but here are a few possible ideas.

For some, perhaps the author takes pride in having the opportunity to set out everything the property service does for the authority.

Maybe some people feel that the bigger their document is, it somehow reflects the importance of the property service or themselves personally and boosts their standing within the authority.

Or could it be that it is a deliberate ploy to encourage people NOT to read it?

Whatever the reasons are, next time you sit down to write your asset management plan you should reflect first of all on what the purpose of the document is:

- Is it to tell everybody that cares to read it everything about what both the property service and assets do?
- Is it a marketing tool for asset management?
- Is it going to be a public document to explain in a transparent way to an external audience what your plans are?
- Is it mainly an internal document that will establish direction for the property estate?

How you answer those questions should influence the type of document you want and need and should shape its structure, format and content.

### ***So where does it all go wrong?***

The first thing to say is that there is certainly no right or wrong way to structure or prepare an asset management plan or other related documents. Nobody is telling you how you should do it. You have to decide it for yourself. They are your documents and you have to own them and put in place what suits your local requirements.

But in our recent review of asset management planning documents and in our work with local authorities around the UK, we can see a pattern to where it starts to go wrong – and it often centres on confusion on what is their policy, what is their strategy and what is their action plan. Muddling these things can confuse the reader as to exactly what is going to be delivered and why. So our advice to clients who seek our help on such matters is to think carefully about these 3 things well before you start drafting anything.

We are starting to see some authorities do this. They have realised the need to be clear on the difference between these 3 areas. Whether this separation is divided between 3 individual documents or not is of course a matter for local decision. Some have done this and some have not. But if you are going to opt for the 3-document approach then the following might help to provide you with a summary of what we consider each document might look like.

Property asset management policy is a short and concise document that describes the principles adopted in applying asset management to achieve the authority's strategic objectives. The document should:

- Describe the authority's commitment to property asset management
- Be endorsed by senior decision makers, including elected members and be visible to all staff involved in related activities

- Demonstrate to the public and all stakeholders, including senior decision-makers, elected members, practitioners and service providers, how it supports the authority's corporate policies
- Provide a visible commitment to achieving the benefits that can be delivered through asset management and should be established at the highest level within the authority
- Be a 1 or 2-page document that is readily accessible
- Be a broad statement of intent that provides signposting to other policies and practices related to asset management (it should not be a 'compendium' of policies)
- Be realistic and achievable.

Property asset management strategy should be a clear and concise high level document setting out how property asset management is delivered for the authority to meet its long-term corporate goals and objectives. The document should:

- Set out how the long-term objectives for managing the property portfolio are met, including statutory obligations, stakeholder needs and the overall performance of property assets, within the context of any constraints, such as funding. The implementation of the asset management policy and how it is achieved should be described in the asset management strategy, along with an explanation on how the principles of asset management are to be adopted to achieve the authority's long term goals and objectives
- Set a clear direction for implementation of asset management and provide a link with other relevant documents, such as corporate objectives, business planning, risk management and property and service objectives
- Provide the basis for the authority to adopt asset management principles to achieve greater efficiency and value for money and describe the benefits that this brings to economic prosperity and the wider community

principles to achieve greater efficiency and value for money and describe the benefits that this brings to economic prosperity and the wider community

- Set out the benefits of investing in the property portfolio on a comparable basis to other assets and services the authority funds
- Set out how asset management activities are implemented, measured and continuously improved
- Have clear long term performance and achievement targets that are SMART - Specific, Measurable, Attainable, Relevant and Time-bound
- Should be a short (up to 10 to 20 pages) document that is concise and available on the authority's website.

Property asset management action plan should provide clear and measurable actions that will be implemented over the short term, say 3-5 years, as part of delivering the property asset management strategy. The document should:

- Be concise – could be in tabular format
- Be sufficiently detailed so it is clear as to what will be delivered and implemented
- Populated with SMART actions only – linked to the property asset management strategy and 'key principles'
- Establish clear implementation timescales for all actions
- Set out the resources that will be deployed in achieving the stated actions – finances, staff, technology, etc.
- We would not necessarily set a size limit on the document as this will be dictated by how you chose to set out the action plan element and also by how much activity there is likely to be, given the resources available.

If you like the idea of developing a policy and a strategy then there are 2 ways of doing this. The first is to draft what you believe elected members and senior officers think they will want and circulate it for input. The second is to involve them in the development process itself, perhaps through a facilitated workshop session. We would generally favour the latter approach so that everyone takes ownership of the outcome. After all, the policy and strategy should have longevity and will provide the basis for the deliverables under the action plan and you need everybody on board with that.

## Key points

Whatever document structure or format you decide upon we would advise that you keep in mind the need to reflect the following key points:

1. A clear medium and long term strategic vision for the property estate
2. A comprehensive basis for routine and periodic challenge of every part of the property portfolio
3. Flexibility in approach so that your selected format or structure of documents enable you to adapt to changing circumstances rather than providing a rigid direction
4. Clear asset management principles which set out the standards you expect of each part of the property estate, which could be performance, finance related or service/ community outcomes
5. Where you establish intended outcomes, these should be SMART
6. Your asset management should be comprehensive and cover all property assets rather than, as some do, exclude areas such as social housing or the education estate
7. Your adopted approach should be communicated in a clear way that suits your audience, and you may need different documents for different purposes
8. You should have some mechanism

for monitoring progress with your actions and activities, and for upward reporting.

## Are we seeing any shifts in emphasis?

We certainly are. Aside from changes we are seeing to document format and structure, we are beginning to see how external factors are influencing the direction and emphasis for asset management approaches. These include:

- Big moves towards corporate landlord models, although the term might of course mean different things to different people
- Regeneration and economic development coming more to the fore and starting to provide a focus and purpose for the property portfolio
- More challenge and re-balancing of existing commercial property to ensure that it is delivering the financial outputs in a cost-effective and efficient way
- An increasing number of councils looking to expand their investment portfolios to provide fresh income streams and sources of capital growth that are independent of government grant [Ed – featured in 2015/16 Winter and this Terrier]
- Some authorities starting to adopt a presumption against disposal in favour of retention, with a view to recycling surplus assets into generators of revenue or capital growth rather than a simple capital receipt.

## Final thoughts

As the American management consultant Peter F Drucker once said, *"If you want something new you have to stop doing something old"*.

This should be your approach to rethinking your asset management approaches and the associated documentation. If you are in an authority where you struggle to get engagement on asset management or property issues generally, then you

perhaps need to reflect on this quote.

Whether it is around engagement or communication or direction, have a think about whether something needs to change. Maybe you need to do something differently to make things happen. As the often quoted saying goes, *"if you keep doing what you always did, you will keep getting what you always got."*

David Bentley at CIPFA has circulated the following message:

In case you missed it, this publication came out from the Department of Communities and Local Government on the 21 March. See link <https://www.gov.uk/government/publications/local-authority-assets-disposal-guidance>

There is probably nothing we haven't included within our Technical Updates at AMP Network events in the past, but the document does bring together useful information, guidance and a few case studies for local authorities on the disposal of property and links to wider government initiatives.





# IS COMMUNITY ASSET TRANSFER AN EFFECTIVE MEANS OF ACHIEVING SOCIAL VALUE FROM THE PUBLIC SECTOR ESTATE?

Anton Schultz

Anton provides some interesting data from a research project aimed at recent community asset transfers. It includes some very practical recommendations for local authorities to adopt for successful CATs. Thanks to ACES members who took part in the survey.

*Anton is employed as a development manager at Locality, the national network of ambitious and enterprising community-led organisations. He has been supporting local authorities and community organisations on asset transfer and community asset projects for 7 years. He recently completed a RICS accredited MSc in Real Estate and Property Management with distinction at Salford University; he also has an MSc in Environmental Resources and a Diploma in Business Support. Anton.Schultz@Locality.org.uk; [www.Locality.org.uk](http://www.Locality.org.uk)*



## Introduction

Community asset transfer (CAT) is the transfer of ownership of land or buildings from a statutory body to a community organisation at less than its full market value – in order to further local social, economic and/or environmental objectives. CAT has received significant attention since 2003 as a mechanism for making better use of public assets, when local authorities were granted consent to transfer assets at discounted values. DCLG has since invested in national programmes to help stimulate and better understand CAT, most recently, by way of the Community Ownership and Management of Assets programme. During 2015-16, the programme supported 50 partnerships between local public bodies (such as local authorities) and community

groups (including parish councils) to develop multiple asset transfer projects. <http://mycommunity.org.uk/programme/community-asset-transfer/>

CAT has played a small, yet significant role in terms of public sector estate disposal, providing a mechanism to retain at risk buildings and land for community benefit. However, with increasing pressure for local authorities to divest assets, and achieve capital receipts, there is a need to develop further evidence to enable local authorities to make the best decisions about asset disposal.

My own experience as a practitioner has made me realise that while there are some fantastic examples of community enterprises finding valuable new uses for surplus public assets, some authorities are reluctant to engage with the agenda. To date there have been few academic studies to explore its scope and impact of CAT to support evidenced-based decision-making, something I wanted to address with this study.

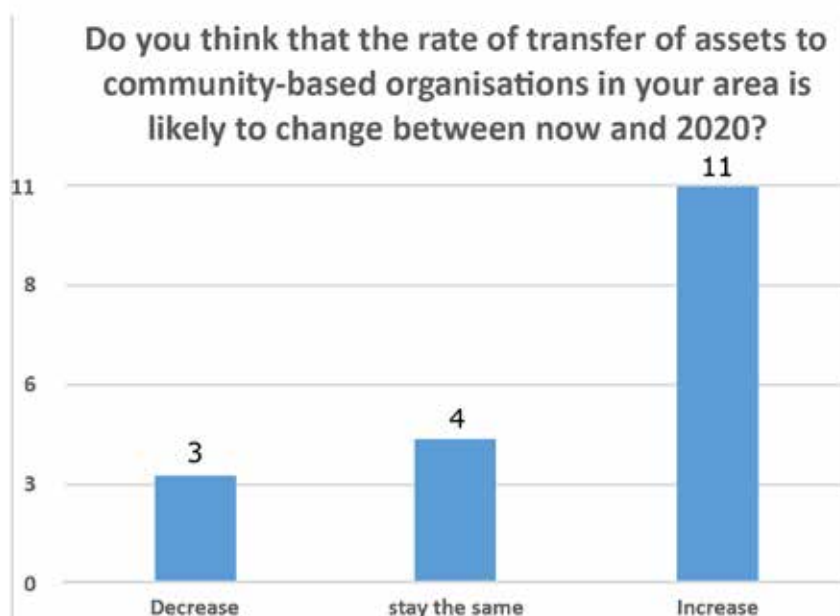
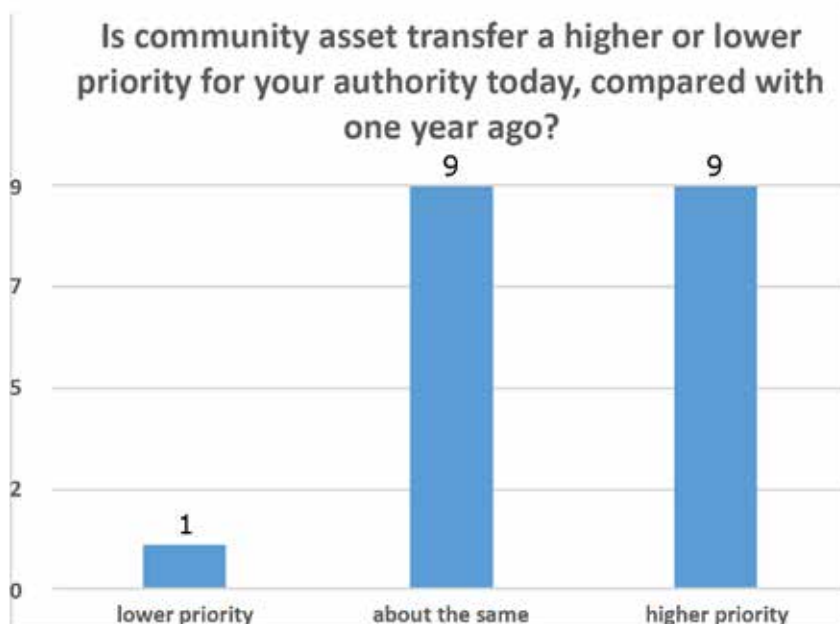
## Overview of the research

During late 2015, I undertook a research project to understand more about how CAT is being used, and the impacts this is having on local authorities, community organisations, and communities. I reviewed recent literature, and analysed responses from questionnaire surveys to community organisations and local authority officers. The survey analysis was based on a refined sample of 31 unique responses from local authorities and 187 community organisations. The following article summarises some of the key findings of relevance to local authority asset managers. The full research dissertation is accessible at: <http://tinyurl.com/j6ev5f3>

## Key findings

### Scale, scope and trends of CAT

CAT activity has increased in significance for many local authorities in recent years. Since 2009 to the present day, there appears to have been a steady, if relatively modest increase in CAT as a result of new authorities engaging, and others expanding, the scale and scope



of activity within their areas. Most authorities anticipate that the rate of asset transfer is likely to increase between now and 2020.

The focus of CAT to date has primarily been on buildings and land surplus to local authority requirements, and of limited commercial interest.

In terms of the types of assets transferred, CAT has largely focussed on enabling alternative management of assets associated with discretionary services; community centres and leisure facilities are prime examples. However, in recent years the scope of asset transfer has broadened to encompass a wider range of buildings and land, including those more associated with

statutory services such as libraries, and social care type services. It is anticipated that this scope will continue to widen as local authority budgets are squeezed further.

The findings reveal that while a majority of authorities appear to have engaged in CAT in recent years (65%), many are at an early stage, and, a significant number have not engaged at all. Thus far local authorities have predominantly taken reactive approaches to CAT. However, they are increasingly taking a pro-active and coordinated approach to encourage communities to take over assets, particularly where they are keen to sustain service delivery from buildings they cannot afford to operate from.

#### Intended and realised benefits of CAT

CAT is achieving significant benefits for local authorities, community organisations, and local communities. A wide range of positive impacts have been consistently reported by the majority of those involved. CAT has been shown to be consistently effective for authorities to achieve financial savings (85% reported significant financial benefits), maintain service delivery (85%), empower local communities and strengthen the local third sector (75%).

Organisations in receipt of assets via CAT report a range of positive impacts: improved relationships with the community (97%), as well as increased skills and capacity (71%) are common. However, the challenging nature of buildings and land often transferred means that financial impacts are not always positive. For many, CAT places a significant financial strain upon them. Despite this, most regard their organisations as more sustainable as a result of CAT, probably as a consequence of improved capacity, and ability to secure external funding.

Although difficult to quantify, significant benefits to the wider community are consistently reported as a consequence of CAT. The most common relate to culture and leisure opportunities, and people being more engaged in activities locally. CAT often leads to improvements to land and buildings and stimulation of wider local regeneration. Taken together, these factors could be regarded as important contributors to community resilience.

There are many examples of community organisations managing community assets more effectively than local authorities. Reasons for this include:

- Freedoms from the restrictions of local government
- A more business-like model
- A greater, more direct stake in success
- Greater community involvement

- Leverage of new funding sources.

### Perceptions of CAT

The vast majority of individuals who have engaged in CAT believe it can be an effective means of achieving social benefit from the public sector estate. However, its application is influenced by a number of factors, the most significant of which appear to be political will, leadership, and coordination of approaches.

### Drivers and motivating factors for CAT

While there are common drivers between local authorities and community organisations for CAT, there are also significant differences which explain some of the difficulties in achieving successful CAT.

Shared motivating factors often include desire by all parties to:

- Develop solutions and establish new uses for underused community buildings
- Support more resilient and sustainable community organisations
- Support the provision of public services at risk, particularly sport, leisure and cultural services.

For local authorities, there appears to have been a significant shift in terms of the primary drivers for CAT since the publication of the Quirk report in 2007. Financial savings and political will to avoid closure of community buildings now appear to be much more significant factors than community empowerment objectives. 85% of authorities cite reduction to ongoing repair and maintenance budgets to be a significant driver. For community organisations, the most common driver is the desire to provide accessible space to accommodate a range of community activity (92%).

### Enabling factors for local authorities

A number of key determinants have a significant impact on the likelihood of CAT achieving both social and financial benefits:

- Briefings and training for officers and elected members have increased **understanding** of and commitment to the application of CAT
- A **commitment** to CAT at a political level can be regarded as make or break; this often flows from understanding based on local experience, or awareness of practice elsewhere. A willingness to engage with and commit resources to CAT is not apparent in many areas
- **Leadership** is particularly important for the successful application of CAT due to the dependence on multiple stakeholders and directorates working together. Leadership is required for authorities to adopt pro-active approaches to CAT, which can create greater opportunities to achieve strategic objectives
- Authorities with CAT **policies** benefit from improved outcomes of CAT. The presence of a formally adopted policy and transparent procedure correlates with both a higher prevalence of successful transfers, but also greater benefits being realised from those that have completed transfers. As well as serving to increase efficiency of the process, policies appear to improve decision-making, reducing the incidence of failed or poorly executed CATs. In addition, the presence of a policy helps supports more effective partnership with communities. Despite these advantages, 39% of authorities who responded did not have a CAT policy.

### Barriers to CAT for community organisations

A lack of clear processes for engagement is the most significant barrier to groups seeking to engage in CAT. Most asset transfers are offered on significantly restricted terms which act as a disincentive for many organisations and a barrier to investment.

Viability of assets post-transfer is a key concern for all stakeholders. Effective early feasibility work can

help nip unviable projects in the bud, preventing wasted resources, but is not always adequately resourced or supported. Funding for early feasibility work is scarce, meaning that only organisations with significant skills, resources and capacity are able to determine feasibility effectively.

It is clear that the capacity of organisations varies significantly, and that for many, effective third party support and advice is required at least during the early stages, to help ensure business plans are realistic and well thought-through. Community organisations identified the importance of access to support and advice from a range of sources, including local authorities, local and national charities, and links to other community organisations which have gone through the process.

### ***Recommendations for local authorities***

Based on the findings of this research, as well as my experiences as a practitioner, my key recommendations for local authorities are:

- Consider the role that CAT can play as part of your asset management strategy. For those that utilise CAT effectively, there can be significant benefits for communities and local organisations, as well as financial savings
- Invest in developing the knowledge and understanding of CAT across all relevant directorates, among both officers and members. A dedicated working group based on shared objectives is recommended, to ensure a coordinated approach to the development of policy, and its subsequent implementation
- Seek to adopt a formal policy and framework. The advantages of doing so can include:
  - more efficient processes and use of staff time
  - clearer understanding among staff and councillors

- clearer expectations from community organisations (less wasted time and effort)
- improved communication and relationships with the community
- more consistent and effective approaches to decision-making
- improved outcomes resulting from transferred assets

- Focus more resources on supporting and developing capacity to enable successful CAT, than on efforts to minimise risk through punitive contractual sanctions and lease restrictions. When considering the wider objectives of CAT, good quality feasibility work, business planning, capacity building, partner engagement and decision-making appear much more likely to minimise the risks associated with CAT when compared with efforts to manage risk via legal instruments.


Be aware that restrictive terms and sanctions are likely to undermine the viability and potential of CAT projects and may ultimately be counter-productive

- In attempting to minimise risk, be mindful of the full range of risks of not acting or engaging in CAT, with consideration to both fiscal, and less quantifiable benefits (such as community resilience, quality of the public realm, trust within the community, and access to public services at a local level). The loss of assets to communities is a significant "cost" that should be considered when weighing up CAT proposals alongside commercial disposal
- Recognise that there may be both shared and conflicting drivers between the authority and community organisations. While there are significant areas of common ground which can form a solid foundation for partnerships, there are often also opposing agendas.

An up-front approach to recognising the financial savings objectives of local authorities, as well as recognition of competing agendas linked to alternative commercial developments, is likely to prevent wasted resources and build trust

- Do not automatically regard **assets of commercial value** as beyond the scope of CAT. There is substantial evidence to demonstrate that CAT can lead to a range of significant benefits, yet it is often only considered as a last resort for surplus assets that are difficult to dispose of. By considering true "assets" for CAT, authorities are likely to find it easier to engage with larger more professional community organisations that possess the resources and capacity to maximise their potential. The difficulty in quantifying the social benefits of CAT compared with one-off capital receipts should not prevent members from having the confidence to make reasonable judgements, favouring long-term social impacts over commercial propositions with more readily quantifiable capital receipts
- When seeking to dispose of assets of limited or no commercial value, be realistic in your expectations and consider a more streamlined approach to transfer. While robust approaches to assessing viability are valid, the application of sanctions and overage clauses may serve to dis-incentivise and undermine the success of such transfers.

Locality is currently working with the LGA to publish a guidance note for authorities seeking to engage with CAT, which will be published online at [www.mycommunity.org.uk](http://www.mycommunity.org.uk) in April 2016.



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# RICS RURAL POLICY PAPER

## – RECOGNISING THE MULTI-FUNCTIONALITY OF LAND

Jeremy Blackburn



Jeremy outlines the components of the 2016 RICS Rural Policy paper, which is of relevance to many ACES members.

*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 an 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.*

### Setting the scene

Rural property professionals are engaged in all aspects of land, forestry and property management in rural areas, managing a hugely diverse asset base. They are responsible for the management and amelioration, whether directly or indirectly, of the majority of the built and natural asset base in rural England.

Within the UK economy as a whole, the rural economy contributes £211bn, equivalent to 19% of Gross Value Added. The land-based sector (agriculture, forestry and fishing) represents only around 8% of rural economic activity in England, but totals 85,000 businesses, nearly a 5th of all rural enterprises.

Familiar themes dominate discussions in the rural and agriculture sectors, where the issue of competing narratives in food and farming remains. How can we produce more and simultaneously look after the environment? Should we look to science or nature for improved soils and nutrition? Would UK agriculture be better in or out of Europe? How should we prioritise competing land use demands? What can we realistically do about adapting to and mitigating climate change?

These themes emerged during our policy consultation with rural property professionals employed in the public, private and third sectors. Boiling these wide-ranging discussions down though, members focused on the multi-functionality of land and the need to resolve competing land uses.

The consultation was carried out across all nations in the United Kingdom. Much if not all of this policy area is devolved to the administrations in Cardiff, Edinburgh and Belfast. Other areas of policy with a significant impact on the rural sector are also devolved, such as housing and planning, energy and climate change. The whole of the UK's productive land is also affected incrementally by the European Union, through the Common Agricultural Policy or a range of directives.

Member concerns centred around 3 main themes:

- Soil management
- Natural resource management
- Productivity.

We view our recommendations through the prism of these themes:

- Property in the rural economy

- Land industries: farming, forestry and tourism
- Energy: production and use
- Natural capital markets.

The RICS launched its first rural policy in 4 years at the Oxford Farming Conference, January 2016. The event was well attended by a broad spectrum of conference delegates working across many different fields of the rural and agricultural industries. Attendees listened to speeches by myself and Chair of the RICS Countryside Policy Panel, Sue Steer FRICS, explaining the process of member involvement to shape and form the document, as well as our main recommendations and why they are so important.

This was followed by a Q & A session, with Sue being joined on the panel by Chair of the PG Rural Board, John Lockhart FRICS, and PG Rural Board member, Neil Gladwin FRICS. The policy was well received and many attendees stayed behind to continue discussions and ask more questions.

### Flooding, land and housing

The month ahead of the paper's launch at the Oxford Farming Conference couldn't have shown better why we developed the paper. The extreme

weather and flooding across northern England in December 2015 emphasised the need for a strategic approach from government that wasn't solely focused on flood defence and flood insurance – the end of the process.

We need to adopt an Integrated Catchment Management (ICM) approach to flood management through the entire catchment to help mitigate flooding and, where possible, protect and enhance good agricultural land.

Practical work in the uplands which can complement sustainable hill farming, such as tree planting and measures to slow water, has been shown to be successful in the prevention of flooding downstream and such work should be incentivised by agri-environment schemes and taxation incentives.

We need government and agencies to make it easier for farmers repairing flood damage to land, walls and fences, and to remove rubbish and debris, which is a threat to livestock welfare. In the longer term, we need more resilient channels and bridges able to cope with rapid run-off.

Our recommendations included:

- Integrated catchment management and upland woodland planting as part of an holistic approach to flood resilience

- Hold water in the landscape. The nexus of flooding, drought, and aquatic fauna extinction and water quality decline are a harbinger of enhanced loss of water from the landscape, where run-off rates are left unchecked. Run-off attenuation can recharge groundwaters for abstraction, intercept overland flow flood pathways, and retain valuable suspended sediment and nutrients for enhanced farm productivity.

### ***Demanding more from our land***

The experience with the flooding of land, whether Cumbria in 2015 or the Somerset Levels in 2014, highlight a much wider issue about what our land is used for. How land is managed and what it produces is at the heart of the economy and society.

We are making increasing demands on this land, requiring it to do more for us, resulting in more complex decision-making through land use planning. The ability of land to deliver more than just its agricultural productive potential and its ability to deliver multiple benefits simultaneously adds to its value and its versatility.

Formerly we assessed land solely through its productive capacity, whether food, timber, fuel or other

goods; we now look at it in terms of wildlife, landscape, air, water and soil fertility as well. Further, we view its adaptability to produce not just more public goods, but whether it increases tourism, can produce energy, become a flood defence, sequester carbon or be developed for housing.

Our recommendations included:

- RICS proposes the development of a new, more sophisticated, land assessment. A new Agricultural Land Commission would retain the well understood approach in place now, but adapt it to a more European-like index system, that recognises the versatility of land rather than purely its productive ability
- DEFRA's 25-year food and farming plan should include a successor theme to the good work done in the 2011 Safeguarding our Soils Strategy
- Soil conservation measures should be made mandatory and reliance on Basic Payment Scheme cross-compliance should only be for additional support.

### ***Realising markets***

Realising markets in eco-system services could lead to a greater

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rise in environmental quality than traditional agri-environment subsidy has managed, and through recognising the production of public goods, could unleash new growth in rural areas. Implementing recommendations from the Eco-Systems Market taskforce tailed off at the end of the coalition government, but the momentum on these should not be lost.

While there are some markets developing in the form of bio-diversity offsetting and woodland carbon, other opportunities include health and recreation, education, water filtration and flood prevention: the challenge is how to ensure that those benefits are valued and a market developed.

RICS recognises that rural surveyors have a key role in advising land owners and managers on how to respond to calls to enhance the public benefits arising from our natural environment. A starting point for this is in considering how the economic valuation of the natural environment might more fully reflect the benefits arising from this natural asset base.

This includes things already valued to some extent in the marketplace as well as those that are usually not (such as the value of woodland in reducing flood risk). RICS welcomes the government's recent announcement that it will incorporate Natural Capital Committee advice on improving decision-making procedures within a revision of the HMTreasury Green Book.

## ***Upland England***

The uplands of England remain some of our greatest sinks of bio-diversity, landscape character and production of public goods. We would encourage the land business elements of Local Enterprise Partnerships (LEPs) and Local Nature Partnerships to look at specific initiatives that implement the valuation of eco-system services in these vulnerable and protected areas, as a means to recognising the public goods produced by economically fragile and sparse rural communities.

DEFRA should work with the Uplands Alliance and other stakeholders, to

provide a coherent link between the 25-year farming and bio-diversity plans that recognises the key role of the uplands and also their potential contribution to eco-system service markets.

This should look to the body of work established by Natural England's upland strategy in 2009, the Commission for Rural Communities 'High Ground, High Potential' report in 2011, the CLA's 'High Hopes' report in 2013, the DEFRA Select Committee's hill farming inquiry report, and latterly, DEFRA's own hill farming review.

## ***Housing rural workers***

None of this will be realised without having housing for a rural workforce. But affordable rural housing is fast becoming a thing of the past. There is a reported 76% shortfall in rural affordable housing. If our rural towns and villages are to thrive, we need to take action to ensure that workers are available to drive local economies. Without becoming rose-tinted, there are elements to the philanthropic approach to estate management that could benefit future generations of workers and apprentices.

There are some countryside communities where the average cost of a house can outstrip average annual wages 11 times over. We would like to see local authorities work sympathetically with estate owners to encourage the release of land for 8 or more affordable houses, based on long leaseholds, which would allow estates to retain long term interests.

There are a number of characteristics of rural communities that have heightened the problem of increasing stock in rural areas. Each of these has a negative impact, but their interaction exacerbates the problem, including high competition for small numbers of properties, wages being consistently lower in rural than urban areas, and affordability significantly constrained.

Our recommendations included:

- Small rural authorities should approach major landed estates inter-

ested or capable of releasing land for 8 or more affordable houses, based on long leaseholds of sites enabling estates to retain an interest in the long term, as well as both financial returns and social benefits. Models like reverse quota will appeal to landowners as they generate higher land values

- The government has been pragmatic in its rural opt-out over Right to Buy. The government should now reverse its commitment to Starter Homes being required on rural exception sites, which undermines the basis on which most landowners would choose to give land for affordable housing. One of the greatest requirements for housing in rural areas is affordable rented homes.

## ***Property in the rural economy***

Before its closure, the Commission for Rural England reported that rural England had the economic potential of the 8 Core Cities minus London, and that its businesses had survived the recession better than urban based businesses. They also cited the key role of market towns as both service providers and economic engines within this picture. Changes over the last 2 governments, such as LEPs and Combined Authorities, have meant evolution in delivery and funding mechanisms, as well as a plethora of new entities taking over economic growth at sub-national and local levels, now with added devolutionary impetus.

There are approximately 1,600 small and market towns in England, where 22% of the population lives. We urge government to extend the current devolution agenda beyond our big cities, to market towns. A new generation of Enterprise Zones that can be made appropriate for land-based businesses is a welcome first step; an urban-only devolution agenda is short-sighted and ignores the major contributor that is the rural economy.

Our recommendations included:

- RICS urges government to extend the current devolution agenda to market towns, as well as LEPs thinking creatively about how market towns – and not just cities – can be enabled through funding, powers and mechanisms
- RICS believes local plans for town centre rejuvenation should be prioritised over retail and business parks outside of town, with a focus on links to more rural areas, local farmers and businesses – these can be embodied in new Business Improvement Districts, which allows a focus on specific areas or high streets in market towns
- Department for Culture, Media and Sport should fully implement the findings of the Law Commission Electronic Communications Code consultation in 2012 and resulting report, and produce a new Code that can be included in the Digital Economy Bill, and which fully supports government's overall connectivity aspirations.

This will help landowners, operators and Broadband Delivery UK in rolling out connectivity to rural communities and businesses

- RICS believes this next generation of Enterprise Zones must look at how we create a landscape or catchment-scale zone, with the right incentives to benefit land-based industries like farming, forestry and tourism, rather than just small, intensive industrial locations
- RICS would encourage the conversion of commercial property and agricultural buildings to be included in local plans, and where feasible, in business-led neighbourhood plans in rural areas, to ensure homes for workers and the next generation.

### **Scotland, Wales and Northern Ireland**

The paper covered specific policy recommendations for the devolved

nations too, driven by their domestic policy agenda and the role of the rural economy in these nations.

Further details can be found at: <http://www.rics.org/Global/Rural%20Policy%20Paper-RICS-21116-JF.pdf>

The launch press release can be found at: <http://www.rics.org/uk/news/news-insight/press-releases/rural-estates-hold-the-key-to-thousands-of-affordable-homes/>

The press coverage of the paper can be seen at: <http://www.rics.org/uk/news/news-insight/comment/multifunctionality-of-land/>

Ed – see also 'Local Authority Rural Estate Management Planning: Good Practice Guidance' produced by ACES Rural Practice Branch and available on [www.aces.org.uk](http://www.aces.org.uk) and featured in 2015/16 Winter Terrier.



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# RURAL ROUND-UP!

## Alastair Paul

*Alastair works for Knight Frank and is responsible for the Rural Consultancy department's Investment Land Management team, a service line established to assist the public sector, charities and institutions with the management of their rural portfolios. [alastair.paul@knightfrank.com](mailto:alastair.paul@knightfrank.com)*

This is the second in a regular feature aimed at those who deal with (to a lesser or greater extent) rural estates and portfolios [see 2015 Summer Terrier for the first feature]. It covers some of the key matters affecting the industry and Alastair hopes that it provides a talking point for those officers who deal day to day with their rural estates and allows those from senior management to stay abreast of rural issues.

### **Brexit**

I was thinking of writing this section of the article by dividing it into 'good' and 'bad'. To be honest, I was slightly struggling to think of much to put in the good section when I realised that I would also need a 'not really sure' section for the topic of Brexit!

I think it is safest to stay well away from political views, especially in this publication, but it would be wrong to submit a current rural article without dealing with this.

So what does Brexit mean for UK agriculture? The reality is that no-one really knows. The government has only very recently appeared to flesh out proposals in the event of an EU exit. It has been keen to assure the industry that the subsidies (for very many farmers, the difference between a profit and a loss) will remain. The government has even hinted that it might even provide more support. If I were a farmer, I would want to hear that the support would be greatly increased to outweigh the significant uncertainty of an exit but I am sure that the concept

of increasing subsidies will not sit well with the tax payer.

The agricultural industry is built on inherent uncertainty, a combination of fluctuating commodity prices and increasingly turbulent weather and it would surprise me that farmers will vote to change the only element of their business which provides them with some certainty.

### **Subsidies and grants**

My last article expressed some concern as to the government's administration of the new Basic Payment Scheme. Sadly, it was well-founded with late payments, incorrect payments and an environmental grant system – the new Countryside Stewardship Scheme – that is so long-winded that it has (seemingly to the surprise of only those over-seeing it) had very few willing to take it up. The industry press is full of apologetic ministers and DEFRA senior management but I am afraid it is going to take a long while for the industry to gain confidence in this system again – if any had it in the first place!

### **Commodity markets, farm incomes, rents and land prices**

It feels that those farmers holding their breaths, hoping that cereal prices were just experiencing a short dip, have now been forced to take a large gasp of air.

It has dawned on the industry that wheat prices at around £100 per tonne are here to stay for the foreseeable future. Many are looking hard at their businesses and recalculating what parts are truly profitable and we may see

areas of poorer land left fallow rather than cropped in the future, as the likelihood of achieving a profit on the poorer parts of arable farms slip away.

Don't expect to see the countryside altering before your eyes, but leaving areas fallow has greater management implications particularly for urban fringe portfolios. Cropping land, in my opinion, has always been one of the best trespass prevention measures available.

Farm incomes are getting tighter and it is easy to forget that tenant farmers do not have the ability to access loans secured against the land they farm. The prospect of reducing long-term income is in danger of being a very significant issue.

In terms of farm rents, there has always been a long delay in rents moving both ways and unlike the commercial property environment, farm agreements normally allow for reviews in both directions. Delays caused by the statutory 3-yearly rent-review cycles (with a year's notice also required) affect both older and newer types of tenancy agreements and, even though the cycle can be contracted out under the newer agreements, it is very rarely done so.

The reality is that many current rents were set when cereal prices were close to double what they are now. But in my experience, rents don't tend to move so quickly and to such an extent when they are falling compared with when they are rising. However, cereal prices have not dropped like this since the mid-1990s and therefore this sharp

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drop and its implications for rents will be a new experience for many younger farmers and indeed younger land agents.

Our advice to rural portfolio managers is to consider this matter very carefully when planning forward budgets.

What this all means for land prices is more uncertainty and in the market there are some slightly nervous conversations going around farm agents. The latest results of the Knight Frank Farmland Index show that average values have fallen by just over 3% so far this year, slipping back to just below £8,000 per acre.

I believe some will still say that the best land – particularly blocks with the ability to grow high-value crops or support alternative enterprises that are less affected by subsidy prices - will continue to sell well, while the poorest (often overpriced) will become potentially very sticky in the market place.

However, if farm rents drop significantly then the investment yield may not spark interest from even the safest investors. If farmers cannot afford or don't have the inclination to step in to purchase, we might see some changes in the marketplace.

Having said all of that, land ownership is not a short-term investment and those feeling nervous can reassure themselves with a glance at a 50-year farmland performance chart.

### ***Farm livestock***

There are a range of issues affecting this sector, but I'll start with dog attacks as they appear to be rising. At the beginning of March in Chichester, 116 sheep were discovered dead, presumed to be caused by a dog or dogs attacking them.

In the same way that concerns have been raised about dangerous dogs in the urban environments, farmers and the wider rural public are also worried. There have been appeals for stiffer penalties for the dog owners and calls for dog licensing. These concepts carry a great deal of common sense

but I am sure that the practicalities and implications of policing dogs and their owners will worry the policy makers.

TB and badgers remain one of the most decisive issues in the rural industry. The BBC's recent documentary on the subject, following the owner of an affected pedigree herd, has led to complaints from the CEO of the Badger Trust. I understand why people are so emotive about protecting badgers, but I am sure a great deal feel equally distressed by the culling of pedigree livestock.

The dairy industry, which has been particularly hard hit by the drop in commodity price, recently suffered another unwelcome setback in the shape of the Healthy England 'Eat Well' guide. This recommended consumers reduce their dairy intake by half and suggested consideration of dairy replacements such as soya. Although a number of senior dieticians have questioned the findings, arguing that the valuable dietary role played by dairy products has been underplayed, it is difficult to argue with the Oxford University-backed report and I am sure the science in the timing is clearly extremely painful for the industry.

### ***Farm tenancy legislation***

As I generally advise landlords, it's not often that I'm in agreement with the Tenant Farmers Association (TFA), but to end this article, I wanted to cover an issue that on which, for once, I find myself with some sympathy with the association's CEO, George Dunn.

The TFA originally launched its 'FBT10+' campaign over a year ago and only now does it appear to have been picked up by the wider industry press. It calls for legislative and legal changes to the current legislation covering farm business tenancies (FBT), to encourage landlords to offer longer lettings. The current minimum term available to landlords is one year and, with the best will in the world, a farmer with one year to establish and harvest a crop is not going to be very focussed on the future of the land and its long-term enhancement.

Surprisingly, many farmers do still take on land under short-term agreements and do look to the future beyond their existing term, but they acknowledge (while many landlords do not) that the risk and the investment is all theirs and, in fairness to farmers, that does not seem right.

I am involved in farms where I believe the series of short-term lettings to either the same or different tenants is very slowly damaging the long-term economic potential of the property. The damage is not always tangible compared to a commercial or residential property, where it is easy to see whether it has been looked after or not at the end of the rental term. What I am talking about are things like the gradual degradation of soil structure and the depletion of nutrient levels.

A further issue is the strain in public finances that has resulted in a lack of landlords' investment and often farms are let with a repairing obligation placed on the tenant (but insofar as he or she only has to keep the farm 'in no worse condition at the outset of the tenancy'). Letting a farm in poor condition makes it very difficult to deal with the condition at the end of the term and, in particular, unless soil testing is undertaken, it is nearly impossible to tell whether the actual land has been looked after or not.

So I do find myself agreeing with the TFA that longer-term tenancies are a good thing, but very careful consideration has to be given as to the landlords' intentions for the farm; break clauses or part-break provisions for a variety of purposes need to be agreed and well-drafted.

I know many councils have clear policies on FBT length and, in fairness to them, are industry leaders, offering some of the longest term tenancies available in the market, but there are a number of authorities that are at completely the other end of the spectrum and it is their land that is suffering as a result.



# THE 2016 MODEL ESTATE REPORT

Catherine Penman

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The 2015 Model Estate report was featured in 2015 Summer Terrier, indicating asset performance for 2014. Catherine here summarises the findings for 2015. It provides useful performance trends for a number of asset classes typically managed by many local authority surveyors, and some interesting comparisons against other investment types.

## Model estate component analysis

All findings in the report are based on valuations undertaken on 31 December 2015. The model estate was valued at £38.6m as at December 2015, a 4.7% increase from 2014. The return was primarily due to a 20.7% increase in the value of the residential portfolio which followed an impressive return of 19.7% in 2014. This strong return was entirely due to capital growth, as despite rent reviews occurring during the year for 6 of the 7 residential properties on the estate, rental levels remained unchanged.

Despite cooling headwinds evident across central London, the rural residential market remains strong although supply, across both sales and lettings markets, is scarce. Sentiment, particularly within the rental market, is forecast to hold firm in 2016, as scarcity of supply coupled with a nervousness regarding future house price growth and general affordability deter many young buyers from climbing aboard the property ladder.

The let farms element of the model estate produced a total return of 4.2% in 2015, in comparison with 24.3% in 2014. Market rents have plateaued during the year due to low commodity prices. While demand remains for tenanted land, farmers are less likely to pay premium prices as net farm incomes, profitability and the serviceability of debt continues to be squeezed.

The 4.2% let farms return was driven by capital growth, which has slowed during 2015 in line with the overall land market. A slowdown in the rate of value increase has been witnessed since summer 2015 as increasing numbers of commentators have called this the peak of the market. Demand, does however, remain evident but is increasingly focused towards large blocks of prime agricultural land, with a notable fall in activity for smaller and secondary quality parcels of land. This divergence is forecast to continue into 2016.

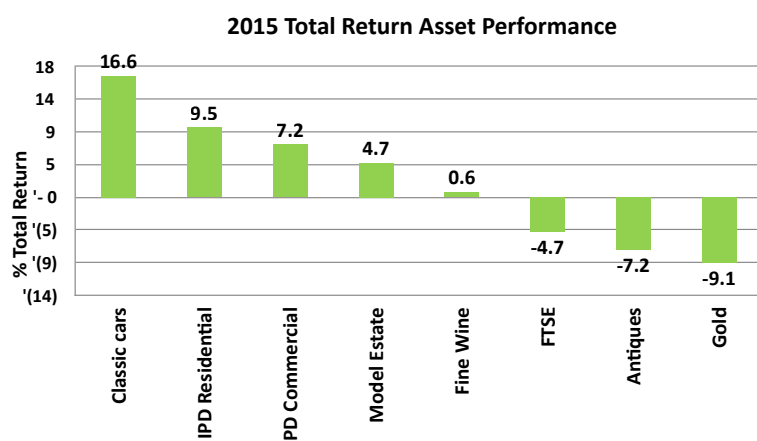
The in-hand element of the estate witnessed a 3.8% total return in 2015, mirroring the slowing rate of capital growth experienced within the let farms element and across the national land market. The manor house once again reduced performance to 3.3%, as demand for large country houses and associated grounds remains intermittent and sparse. This trend is forecast to continue with the introduction of increased Stamp Duty Land Tax on 1 April 2016.

The "other" element of the model estate does not usually gain much attention

in the analysis process. However, this year the landlord has decided to let the reserved sporting rights on the let farms, while also reviewing those over the in-hand land. This has increased the value of the sporting rights to £130,240 from a 2014 level of £45,000 and consequently produced a total return of 72.5%. Despite this increase, the proportion which the "other" sector accounted for only rose from 0.3% to 0.5% of the entire model estate.

Overall the 2015 total return of the model estate was 4.7%, lower than the 13.1% achieved in 2014. Despite this reduction, the variances evident reinforce the benefits of owning a "mixed-use" and diverse asset. While agricultural land has proved itself as a star performer since 2009, it remains counter-cyclical. It witnessed exceptional growth levels during the last recession, at a time when the commercial and residential property asset classes and equities saw double digit reductions in value. Land values marched onwards from 2010, driven by increasing profitability levels which propelled the market ever upwards. Restrained commodity prices and straining farm profitability are now evident and the overall tone of the market has cooled. That said, land remains a safe haven and very profitable if run and managed in the correct structure. Medium-term commodity prices are positive and the equilibrium between demand outweighing supply is forecast to continue. Agricultural land will remain an attractive and profitable asset class over the long-term.





Source: Carter Jonas

### ***The performance of the model estate versus other asset classes***

All sectors rise and fall. The model estate's rank slipped to 4th of the 8 asset classes analysed in 2015.

Classic cars, once again, produced the highest 1-year total return of 16.6%, illustrated in the graph. Despite regaining the pole position, this was notably lower than the 2014 level of 31.2%. While the asset class clearly remains exceptionally well performing, the HAGI Top Index (Historical Automobile Group International) reported an annual fall of 2.5% to January 2016 and the HAGI P Index (which measures the rare collector's Porsche automobile market) fell 4.5% over the same time period. These falls, while moderate, indicate a cooling of investor confidence to pay premium prices, and even in the most popular and glamorous sectors, investors remain cost conscious.

The UK's residential sector produced a total return of 9.5% that was driven by the lower priced affordable outer London boroughs (e.g. Barking and Dagenham, Hillingdon and Enfield) rather than prime central London where values have begun to fall. The Eastern and South Eastern regions have led the way in terms of house price growth in 2015, with the Midlands and the North lagging somewhat behind. The prime regional housing market including the cathedral cities and towns of Oxford, Cambridge, Bath and

Harrogate continue to perform well as demand for city centre properties achieve the highest premium.

The UK's commercial sector recorded a 7.2% return, driven from continuing capital increases in London by rental value growth, as yields have reached an all-time low. Emerging parts of London including Victoria, Battersea and Stratford have performed particularly well. The regional central business district markets performed strongly in 2015, particularly Birmingham and Manchester, and although there is an expectation of further rental growth in 2016, limited development activity and a lack of good quality office stock may restrain the extent to which this is witnessed.

Fine wine saw an improvement in performance in 2015, producing a return of 0.6%. Over the last year, the market has remained flat although stable in contrast to its fall of 7.7% in 2014. The sector has suffered from poor performance since 2011 although proved popular during the recession, particularly by Chinese and Far Eastern investors, as a hedge against traditional property sectors.

Equities produced a total return of -4.7% in 2015, 6th of 8 asset classes analysed within the report. The volatility of the asset class is evident when reviewing the longer-term performance of the asset class, -2.1% for the 2 year annualised returns, 2.9%, 2.2% and 6.2% for the 3, 5 and 7 year annualised periods respectively. The

growing uncertainty and weakening of the global markets and the timing of the EU referendum is likely to depress growth in 2016.

Antiques produced a total return of -4.5% in 2015. The year started with a revival in sale activity although demand remained restrained. The internet has, perversely, proved to be an unexpected benefit to the sector more recently and boosted activity in dealers' websites and portals for middle and lower-quality antique furniture.

Gold recorded the lowest total return figure of -9.1% for the 3rd consecutive year of all 8 asset classes recorded, in sharp contrast to its pole position recorded in the first model estate report in 2009. Its volatile history is clearly evident, with only the 7-year annualised figure recording a positive figure of 3.9%.

### ***Long-term analysis of the model estate***

It is easy to focus upon the short-term performance of any asset class. However, one of the key attributes of agricultural land is its counter-cyclical nature.

The model estate's 3-year annualised return produced an impressive 8.1% p.a. This rose to 9.5% when the manor house was excluded and 10.4% when the commercial element was removed. This placed the model estate in 2nd position, to classic cars, among the basket of asset classes analysed.

Over all time periods, the model estate (excluding the commercial element) has maintained a strong position in comparison with the alternative asset classes, ranking 3rd of 8 within both the 5 and 7 year annualised rankings.

While the model estate is ranked 4th in the 2015 ranking, it is by no means the least popular. Along with stability in terms of performance, a favourable tax regime reinforces the attractiveness of the sector and confirms its position as an alternative asset class to both residential and commercial property and the more specialist, and inherently high risk, sectors.



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# CROSS LAMINATED TIMBER CONSTRUCTION

Toks Osibogun

*Toks is the Strategic Property Manager at the London Borough of Wandsworth, and has previously worked for the London Development Agency (Olympic Land Assembly Team) and the London Boroughs of Lewisham, Newham, Tower Hamlets and Kingston upon Thames.*

Toks' article deals with an unusual topic for the Terrier, about a modern construction element. It deals with the benefits and limitations of cross laminated timber construction and features a modern school where the product is plainly in evidence.

## Introduction

Although a fairly recent development in the United Kingdom, cross laminated timber (CLT) has its origins in the traditional timber technology used in Scandinavia. Its popularity began spreading to other European countries in the early 2000s once the manufacturing and construction technology were considered mature enough.

CLT panels are formed by bonding layers of timber perpendicularly to one another in order to build structural strength and integrity, as by spanning in 2 directions, the panels act as cantilevers when support is removed. CLT panels are known for their excellent fire resistance which relies on fire-retarding charring of the panels, so that in a fire, the load bearing capacity of the undamaged core can be retained. A slightly thicker 5-layer lamination panel can double the fire resistance of a 3-layer lamination panel. CLT walls with plasterboard also enhance a building's acoustic performance standards.

This article considers the benefits and limitations of this structural construction system which has been prominent in the recent construction

of new UK school developments, hotels and supermarkets, and is also being increasingly used in low to mid-rise residential schemes.

## Project outputs

Project output requirements for new public sector development schemes such as schools, leisure centres or libraries, might typically include expectations that developments will be distinguished by high quality, imaginative and innovative designs which complement surrounding streetscapes. The buildings should offer high standards of accessibility, inclusivity, functionality, sustainability and energy management, and natural light, and internal spaces formed should be flexible, adaptable and space efficient in their configuration.

Minimising disruption to neighbours, from noise and dust in particular, during construction periods might also be a key project output requirement.

## Advantages of CLT

Achieving these project outputs may depend, to a degree, on the structural construction systems and materials used in development, whether that is concrete, steel, or more latterly cross laminated timber construction. One of the main advantages of CLT is, of course, with floor, walls and roof panels being lightweight and factory pre-fabricated to precise, air-tight and thermal-bridge free specifications, and wall panels including window and door openings, materials waste is

minimised. Additionally, the risk of early project delays due to poor weather is minimised.

Initial project lead-in times from completion of scheme design, which in itself may require considerable design coordination to delivery on site may be longer, but subsequent speed of assembly on site is quicker and cleaner than concrete construction. It requires fewer site operatives as there is no requirement for shuttering, installing reinforcing bars (rebars), pouring concrete, striking the shuttering and propping up while concrete cures; it creates a less hazardous construction environment for the operatives to work in, free of health risks such as silica dust. Materials storage on site can also be reduced by just-in-time delivery scheduling.

Other than cost savings made from minimising materials waste, as a lightweight material, the use of CLT means that foundations can be smaller and cheaper, any need for steel frame systems to close building perimeters is eliminated, and CLT also enables fixing materials to be made to the structure more quickly and less noisily than drilling into concrete. These are to be weighed up against some disadvantages such as potential environmental impacts. As CLT is currently manufactured abroad with an established supply into the UK market, this brings with it attendant increased transportation distances.

In terms of sustainability, softwood timber is a renewable material which



for production of timber building components, consumes around 50% of the energy required to produce concrete and around 1% of the energy required to produce steel. A low embodied carbon content compares well with concrete production which is carbon intensive. If the timber is also sourced relatively locally, attaining a higher BREEAM rating is easier to achieve.

Apart from brick and block construction being a slower and more labour intensive construction process, the current upturn in new residential housing development activity in particular means that builders are experiencing practical problems in the sourcing and supply of new bricks and blocks, which can disrupt project critical path time lines. With steel supply, the mothballing, in October 2015, of the UK's largest steel plant at Redcar, Teeside, following the plant's owners going into liquidation, and the new risks to other steel plants in Britain, appears likely to increase the

UK construction industry's dependence on imported steel, with the supply line risks involved.

## ***A school project***

For new school developments, CLT is a building material which offers not just the visually appealing qualities of timber but also a strong structural capacity which, for example, allows 8 metre classrooms to be constructed without any need for intermediate beams.

A prime example of CLT in use is shown in the pictures of William Perkin Church of England School.

(Photographer and/or copyright - 'Jim Stephenson for Feilden Clegg Bradley Studios')

### Project summary

School Name - William Perkin Church of England High School

Construction value - £18m

Completion - Phase 1 August 2013,  
Phase 2 February 2014

Client – Twyford Church of England Academies Trust, Sponsored by London Diocesan Board of Schools

Contractor - Kier

Structural Engineer - AECOM

CLT Subcontractor - KLHUK (and Ramboll as Structural consultant to KLHUK)

M&E Engineering - KPE

Cost Consultant – Kier, also managed cost and budget

Landscape Architect - EDCO Design Limited

No. of Pupils – 1,200 pupils plus 250 6th form and 12-36 Special Education Needs pupils

Age Range - 11-18

Area - 11,297sq.m. (gross), 10,947sq.m. (net)

Specialism - Science and languages

Awards - 2015 New London Architecture Awards: Education, and 2015 RIBA Regional Award

Other examples include Manor Longbridge Primary School in the London Borough of Barking and Dagenham, which was built by Neillcott Construction in 2011 to a tight build programme. It used a CLT panel system for the floors, walls and roof, and attained a BREEAM 'Excellent' rating.

## ***Housing projects***

The structural strength of CLT is also enabling multi-storey buildings to be built now, using this construction method. Bridport House on the Colville Estate, Hackney is a good example and comprises 2 joined blocks of 8 and 5-storeys respectively, delivering 41 maisonettes and flats.

Stadhouse, Murray Grove, Hackney, a 9-storey building delivered by Telford Homes to provide 29 flats is another good example of CLT being used in the construction of a multi-storey building.

## ***Limitations***

Notwithstanding the attributes of CLT, it is not a risks-free construction method. As CLT is factory-made to exacting specifications and high levels of accuracy, late design changes can be difficult and costly to accommodate. Procuring councils ought to remain mindful of such a risk, with a view to ensuring that the outcomes of consultations with local communities and key stakeholders are as clear, certain and deliverable as it is reasonably possible to be, prior to commencement of build programmes. Members may also need to be made aware of the potential additional costs to projects as a function of late design changes.

(References/sources of information: BRE Information Paper IP17/11; The Guardian (article authored by Gordon Miller for the Guardian Professional Network).





# REGENERATION COMPULSORY PURCHASE ORDERS – BASIC FLOW CHARTS AND REFORM ISSUES

Stan Edwards

*Stan is a Director of Evocati Consultancy specialising in CPO process, and since 2003, visiting lecturer in retail planning and development at Cardiff University. He was formerly Vice-Chairman of the Compulsory Purchase Association and is now an Honorary Member. He worked on town centre retail and project managing CPOs for over 40 years in Cwmbran, Land Authority for Wales and the WDA. stanlje\_caerleon@btinternet.com*

Stan here produces useful flowcharts to explain diagrammatically the complex processes involved in following through a CPO Order, to complement the CPO lists contained in the previous 2 issues of the Terrier.

*"If you can't describe what you are doing as a process, you don't know what you are doing" (W. Edwards Deming).*

The greatest advantage of a confirmed CPO is that it brings timescale certainty to developers/investors; and makes significant but unattractively complex development opportunities much more attainable. In the previous 2 articles the CPO process was viewed from a project concept through to making the Order, focusing for simplicity on a T&CPA regeneration CPO power [Ed – see 2015 Autumn and 2015/16 Winter Terriers]. Of course CPOs are found taking other routes generated by other purposes and powers. Consider as principals:

- Local authorities non-ministerial CPOs – e.g. regeneration, development, redevelopment, improvement, housing, listed buildings, highways (non-trunk)
- Central government ministeri-

al CPOs – e.g. highways (major routes), heritage, Government of Wales Act

- Utilities
- Transport and Works Act 1992 Orders
- National infrastructure – via Development Order route
- Special Parliamentary Bill.

These and more are well covered in other literature.

This paper reviews the process in a very basic form to give some idea of events and time frames, not meaning to be a treatise on statutory CPO procedures, which is adequately covered in Circular 06/04 and other relevant literature. However, staying with the basic regeneration CPO, one of the things missing in the previous articles was some form of route map, particularly for the stages beyond making the Order. I still maintain that the important part of the process is pre-Order – getting it right, rehearsing Lord Nicholls statement *"normally the scope of the intended works and their purpose will appear from the formal resolutions or*

*documents of the acquiring authority" (Waters v. Welsh Development Agency [2004] 2 EGLR 103).*

A standard sequence can be considered as:

- Concept to Order** (covered in previous issues)
  - Pre CPO
  - Justifying the project (case) – in the public interest
  - Making a 'compelling case in the public interest' – justifying a CPO
- Authority decides to promote a CPO and obtains a resolution for Approval in Principle (AIP)
  - Set and fulfil requirement (in the AIP) as pre-conditions to make and seal a CPO
  - Build-in community engagement
  - Technical approval of draft
  - Obtain authorisation to make and seal the CPO (conditions fulfilled).

**Fig 1 Fishbone (Ishakawa) of authorisation process**



**B. Notices and submission to possession**

- Notices and submission
- Objections
- Public inquiry
- Inspector's report
- Confirmation (or not) by the appropriate minister
- Challenge period (6 weeks)
- Possession (General Vesting Declaration (GVD)/notice to treat) and title.

***A commencement***

The sequence 'A' comprises the *raison d'être* of a necessary initial report to the cabinet or committee of the acquiring authority for formal AIP to promote a CPO. The AIP is the first important 'event threshold' in the whole process. It brings together all the factors and facts already considered and the pre-conditions required to obtain authority to make and seal the CPO. In process terms, other elements will have taken place, such as negotiations with vendors (potential claimants) and documented community/stakeholder engagement plus required funding and relationships with partners. The next event threshold is making the Order following a resolution by the acquiring authority (AA).

A regeneration CPO is no exception to most CPOs, in that there are

statutory timings for 'B' but not for 'A'. In an attempt to demonstrate these elements, an adaptation of a 'fishbone' diagram (Fig 1) may assist.

The constituents and sequence shown in the following Figures 2 & 3 are identified as:

- a. Concept to AIP
- b. AIP to making and sealing the CPO.

The timing for a) and b) have no statutory limits and many authorities attempt to make this as short as possible (worryingly the case in many 'fire from the hip' Housing Act CPOs). However, for a CPO to be promoted, the AA must demonstrate that it has adequately assessed all the requirements in terms of a compelling case in the public interest. Certainly a hurried CPO cannot reasonably demonstrate that even human rights factors have been considered.

An amplification of that stage is shown in diagrammatic form the components of the CPO described previously. Figure 2 shows a collection of requirements to culminate in an AIP and Figure 3 shows from AIP to resolution. Many subsidiary processes run alongside the core CPO process, including the acquisition strategy/process, planning and community engagement.

These practices are not cast in tablets of stone because they have to remain flexible, but core procedures have to be followed progressing in line with statutory instruments and government circulars. The project can then be

implemented with perhaps a developer taking possession under the terms of the JV and compensation paid either by agreement or by reference to the Upper Chamber (old Lands Tribunal). Even though the Upper Chamber route may take years to resolve levels of compensation, this should not impede the development.

Figure 4 is merely a simplified illustration of the statutory process from making a CPO – from resolution through notices to eventually (hopefully) obtaining title.

***Making a CPO to submission to title***

As soon as the CPO is made and sealed, the statutory clock starts ticking. Figure 5 shows a flow diagram from the point of making followed by submission through to inquiry.

It will be noted that the various elements of the course of the statutory process, noting the ongoing planning, which if not resolved prior to the CPO, may require to be considered at a joint planning/CPO inquiry. Planning will obviously have to be resolved to the confirming minister, so that it is not seen as an impediment to the CPO. This is why it is essential to resolve outstanding planning issues as part of the justification for promoting the CPO.

Paragraphs 35-63 of Circular 06/04 provide sufficient basic detail for the process from submission to obtaining title. The relevant timescales from resolution to inquiry are set out as follows:

**Timescales - make CPO to inquiry**

- c. Resolution to make and seal CPO
- d. Notices and submission to the minister
- e. Receipt of objections
- f. Relevant notice (of inquiry)
- g. Inquiry
- c-d 7 days maximum

Fig 2 Town & Country Planning Act 1990 Sec 226 (as amended by the Planning and Compulsory Purchase Act 2004)  
INITIAL CONCEPT ASSESSMENT STAGE PRE AIP

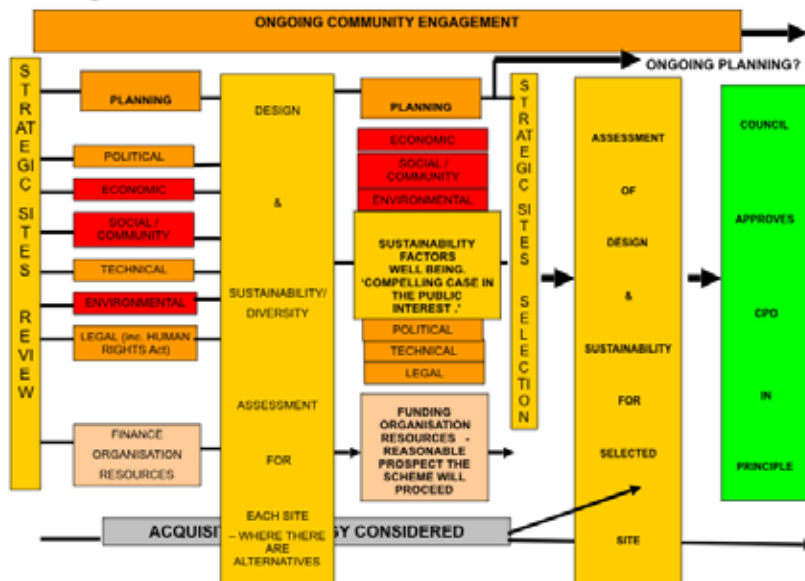


Fig 3 Town & Country Planning Act 1990 Sec 226 (as amended by the Planning and Compulsory Purchase Act 2004)  
CPO AUTHORISATION STAGE POST APPROVAL IN PRINCIPLE

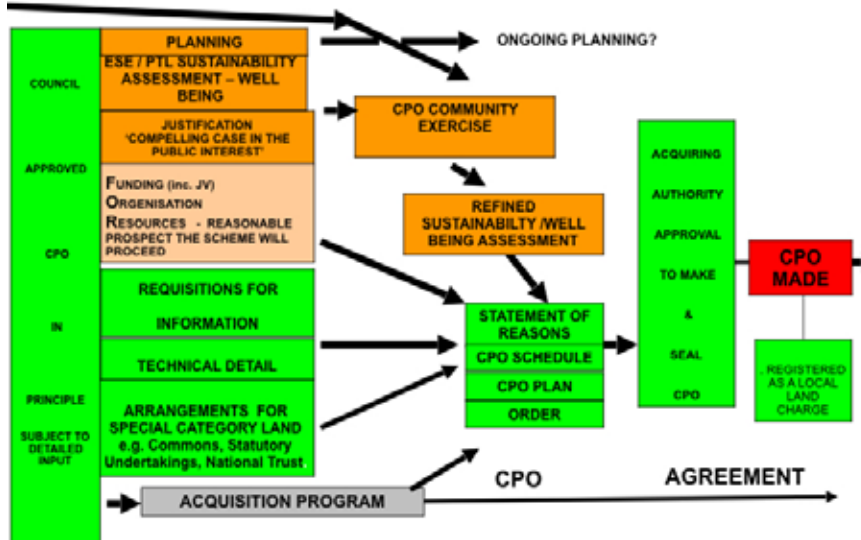
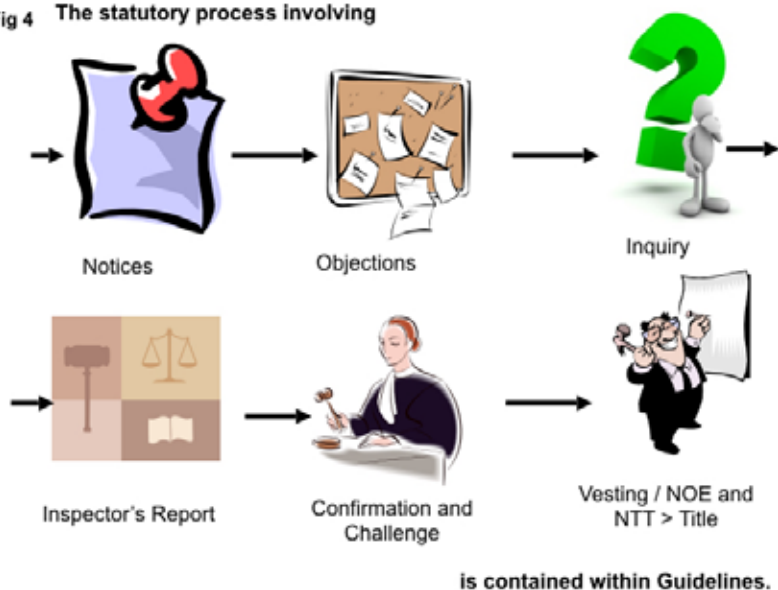


Fig 4 The statutory process involving



d-e 21 days minimum

e-f 21 days minimum. The AA has up to 5 weeks to give written notice of the inquiry from the end of the objection period/submission of the order for confirmation

f-g 22 weeks maximum.

### CPO public inquiry stage

Most of this period involves a great flurry of activity - conferences with counsel, serving notices, contacting expert witnesses, preparing and serving evidence/rebuttals, including pre inquiry procedures, all within statutory time limits culminating in the inquiry itself. This is shown in Figure 6. Figure 7 shows the process from inquiry to title.

To give some idea of timescales, the following applies:

#### Inquiry to possession

- g. Inquiry
- h. Inspector's report
- i. Decision by minister/department
- j. Confirmation by minister
- k. High Court challenge period
- l. Possession
- m. Title

g-h Target 7 weeks but this may be considered an underestimate -varies

h-l Target 2-3 months (depends on work load) - can be up to 13 weeks

i-j 14 days

j-k 6 weeks maximum (s23 ALA 1981)

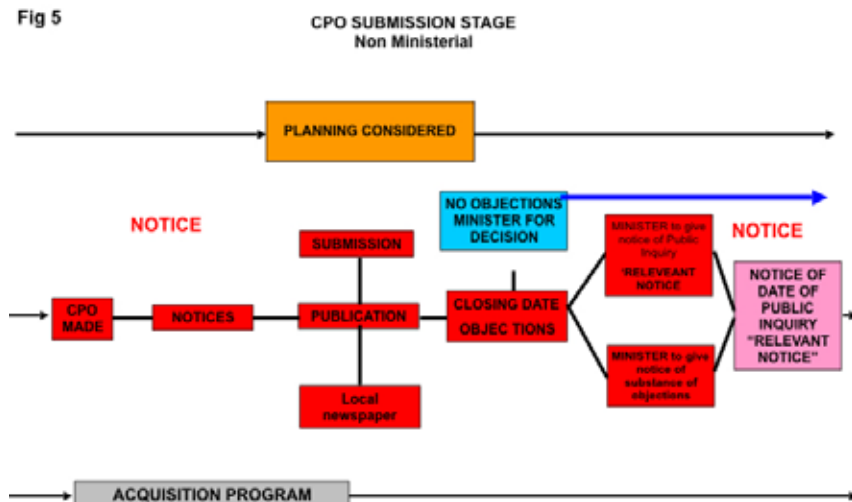
j-l 2 months

j-m 3 years maximum

a-m 13 months 'Rule of thumb'

Once a CPO is confirmed there is no statutory timescale for a CPO to be published.

Fig 5

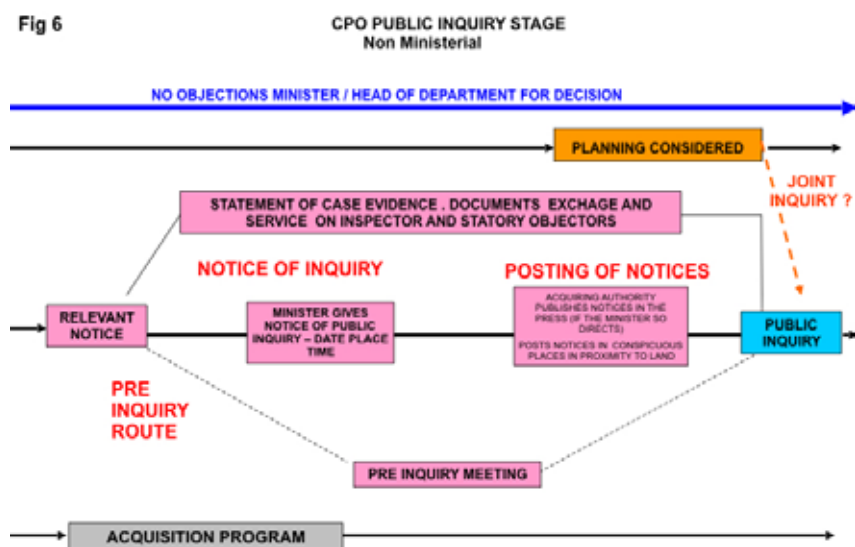


Note many of these timescales are internal targets only, which the Planning Inspectorate (PINS) and the Welsh Assembly use for their own administrative purposes and are given as indicators only. Their length is not determined within statute, circulars and guidelines.

### ***Decision, confirmation, possession, title***

After the inquiry is the waiting period while the minister receives and considers the inspector's report. Should the CPO be confirmed then, if there is not a legal challenge, the notice to treat/GVD procedure takes place. If there are no special circumstances and if no inquiry has taken place, the confirmation may be delegated to the acquiring authority (s14A Acquisition of Land Act 1981).

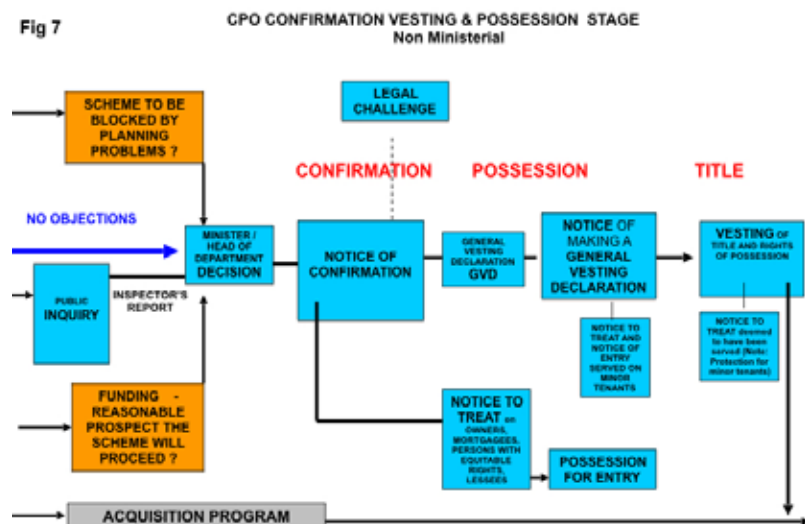
Fig 6



This article may be criticised for not providing sufficient detail, but this is deliberate, to focus on the core process to provide a taster to gain basic understanding and resist a temptation to concentrate on any area. More detail and amplification is readily found in ODPM Circular 06/04. It will demonstrate much of the Acquisition of Land Act 1981, which is of prime importance.

The above timings are the best I could obtain from DCLG at the time of writing – they have been very helpful. Timings should be monitored and professional guidance should always be sought in respect of any scheme.

Fig 7



The above CPO process is a well-trodden and known path and the above hopefully illustrates that.

### ***Compulsory purchase and reform***

Throughout this recent trilogy of articles and with those before, I have increasingly become more aware of pressing factors for reform and change. The above processes are well used and accepted, particularly where straightforward regeneration CPOs are promoted. If people follow the rules and apply a robust approach to compensation and the impact of



the scheme on affected parties, few problems should be encountered. However, even here there are those fellow professionals who make a living engineering conflict! The impact has become highlighted with the current round of infrastructure CPO projects including HS2 and Crossrail 2. The spotlight shines on time/compensation/process issues.

Compulsory purchase and compensation, although working reasonably well in non-major schemes, is ripe for reform, particularly providing robust compensation, realistic timescales to take possession, advance payment and statutory interest (extract - Philip Maude – Squire Patton Boggs). There seems, however, no appetite in government, whatever shade, for comprehensive overarching reform, particularly in these areas.

There are those who would have the High Court have the ability to send an adjusted technically failed CPO back to the minister rather than go through the whole process again. Whereas this has merit, to my mind it is similar to insurance taken out on washing machines – it fixes a problem but does nothing to improve or encourage the quality of the machines produced.

There is an opportunity to consider these issues and more in respect of the newly published Housing and Planning Bill. This article may be a taster for providing the reader with the appetite for making detailed comment on the transiting of the Bill.

### **Basic CPOs**

Having said that, many of the existing CPOs work well with some exemplars. Former organisations such

as the Land Authority for Wales and Welsh Development Agency had the reputation for a robust approach to compensation, possession and timing, recognising the possible debilitating impact of CPOs on peoples' homes and livelihoods. Certainly national infrastructure projects (including HS2 and Crossrail 2) have highlighted the need, recognising long lead-in times and alternatives which cause uncertainty and blight over a wide area. In attempting to demonstrate fairness in the decision-making, everyone has to suffer. The approach in many such schemes appears to be the blind leading the dumb. Guidance and advice has to be sifted because it is recognised that not all advisors are accredited and regulated. The revised Circular 06/04 was published in 2015. This and my previous 2 articles should be considered in that context.

## LEGAL SNIPPETS

Below are extracts from Mills and Reeve "Property Matters" which are of relevance to public sector property professionals. My thanks to Mills and Reeve for letting me reproduce them.

Mills and Reeve Property Matters [www.property-matters-law.co.uk](http://www.property-matters-law.co.uk)

### **Authority to prepare property deeds**

It's always a good idea to seek legal advice before entering into any deed or legal document. However, you may be aware that there are some, limited, circumstances where a deed or document can be prepared by surveyors.

The rules governing this are contained in the Legal Services Act 2007 ('LSA 2007'), which, if not carefully followed, may be at a surveyor's peril! As the LSA 2007 is fairly lengthy, we have prepared the following summary as a helpful reminder for all!

A surveyor who is an 'accredited person' (i.e. a Fellow of the Central Association of Agricultural Valuers, or a Member or Fellow of the Royal Institution of

Chartered Surveyors) may prepare a farm business tenancy (as defined in the Agricultural Tenancies Act 1995) or a document which relates to an existing tenancy which is, or which that person 'believes on reasonable grounds to be, such a tenancy' (Schedule 3, LSA 2007).

This is therefore fairly restricted and you may be wondering if this is all a surveyor can prepare...the answer to this is 'no' as there is also the right for any surveyor to prepare:

- a contract (not intended to be executed as a deed), other than a contract for the sale or other disposition of land (except a contract to grant a lease of less than 3 years); and
- a lease of less than 3 years where the lease being granted is not a

deed.

Note the above exceptions do not include, by way of example, the following non-exhaustive list of documents:

- an Agricultural Holdings Act 1986 tenancy or surrender
- any lease of more than 3 years
- a surrender of a 1954 Act commercial lease.

This in essence means a surveyor's ability to prepare property documents is fairly limited, which of course does mean that legal fees may have to be spent(!) On a serious note, anyone who does prepare documents beyond those allowed in the LSA 2007 will commit a criminal offence.

Before preparing any legal deed or document, the above should be borne in mind. If in any doubt as to whether you have the requisite authority to do so, it is advisable to seek legal advice - one can never be too careful!

### ***Skeletons in the closet – or under your development site!***

[Ed – this applies as much to local authorities as to private developers]. When contemplating a new development, due diligence is invaluable. From enquiries of utility providers, to the potential for the unexpected, a prudent developer will try to deal with as many 'nasties' as possible at the outset.

As shown by the discovery of a former chapel graveyard beneath the proposed 2nd Metrolink crossing in Manchester, and the uncovering of one of Britain's largest medieval cemeteries under land at the University of Cambridge, property development can give rise to some unexpected complications.

In addition to the standard searches carried out as part of a property acquisition, it is imperative that developers go one step further and carry out a more in-depth due diligence process prior to acquiring a site. Enquiries should be made of utility providers (gas, water, electricity, and telecoms amongst others), and additional questions should be raised with local authorities to ensure that there is nothing planned which could detrimentally impact on development.

Legal due diligence will not, however, pick up all possible pitfalls. Technical searches and site investigations must be undertaken so that the viability of the site and proposed development can be established at an early stage.

It is also vital that developers establish a structure for the transaction that gives them both the comfort that the land acquisition can proceed, should the site be viable and allows withdrawal in the event that a serious issue is revealed. Although many issues can be remedied or accommodated, the serious delays and expenditure caused

may put the whole development at risk and the developer who discovers an unknown graveyard may wish to look elsewhere.

Given the financial outlay required in order to obtain a return on development sites, the more issues that can be 'laid to rest' prior to any development, the better!

### ***Paying a premium – beware of service charge clauses***

The recent Supreme Court decision of Arnold v Britton highlights the dangers of harsh drafting in service charge clauses. The Supreme Court upheld a decision that enforced a fixed service charge with annual compounded increases of 10%. The effect of this 10% compounded increase over the tenants' 99-year lease was to inflate a £90 service charge to an eye-watering figure of over £1.1m!

The drafting in Arnold v Britton is a particularly extreme example, but there are several other clauses that tenants should be wary of when entering into leases with service charge provisions, for example:

- Fixing design defects – where defects in design or construction of a building need repairs, tenants should seek to exclude these costs from the service charge. The landlord should be left to enforce its contractual remedies against its contractors and professional advisors
- Building improvements – tenants, particularly those whose interest in a property is limited to just a few years (or less), should not be expected to fund capital improvements to a property or works that go beyond normal maintenance, repair or replacement
- Adding or withdrawing services – the landlord should not have absolute discretion on adding or withdrawing services. As a minimum there should be a degree of reasonableness and ideally variations to services should only be permitted where the interests

of tenants would be better served by the variation

- Widely drawn 'sweeper-up' clauses – tenants should seek to resist widely drafted clauses. If such a clause is included tenants should seek to limit additional costs to items which are capable of benefitting them and which are in keeping with principles of good estate management.

Arnold v Britton is a clear warning to tenants of the need for careful scrutiny of service charge provisions and a reminder of the potential hidden costs arising from leases.

### ***Commercial rent deposits – landlords know your rights and obligations***

Landlords frequently require new tenants to provide a rent deposit. Once the deal is done, landlords seldom pay much attention to the terms of the rent deposit deed. Landlords who know their rights and obligations will gain maximum benefit from the arrangement.

In every case landlords' rights and obligations are governed by the terms of the rent deposit deed.

Landlords' obligations are not usually onerous. Typically, the landlord must place the deposit in an account of the type specified, perhaps at a particular bank. There may be an obligation to remit interest to the tenant periodically or on closure of the account. The landlord must return the deposit at the agreed time. This could be a fixed date, when the tenant assigns the lease with consent, or at the end of the lease term.

Landlords know that they can draw on the deposit if the tenant fails to pay sums due under the terms of the lease. Landlords sometimes overlook similar rights where they suffer any loss/damage or incur expenses/costs resulting from breach of the tenant's covenants in the lease or any supplemental documents.

When landlords draw on the deposit, typically they can require the tenant

to top up the deposit. Topping up can often be required in other cases, for instance following rent review or where the rate of VAT changes (if the property is opted to tax).

Some rent deposit deeds allow landlords to deduct legal and

administrative costs incurred in administering and closing the deposit account.

When returning the deposit, landlords usually have the right to set off sums in settlement (or reduction) of rent arrears or in partial or total satisfaction

of breaches of covenant. The effect may be to entirely extinguish the deposit.

Landlords should remember the terms of the rent deposit deed, to comply with obligations and to gain maximum benefit from the rights conferred.

## Branches News

# DUNCAN BLACKIE, EASTERN BRANCH

Eastern branch met on 5 February at the Guildhall, the offices of Cambridge City Council. Approximately 40 members and guests attended.

Branch business included advising members of the new quorum rules for attendance at meetings and branch AGMs, a brief report of the ACES/DCLG meeting held in early February [Ed – see separate report in this Terrier], and gave support to a proposed venture of the Suffolk Scribbler.

Following the adopted pattern for Eastern branch meetings, there followed 3 presentations.

### **Tim Johnson and Francis Truss, Cushman & Wakefield**

The firm has around 110 staff dedicated to public sector clients and has been a long standing supporter of ACES [particularly through DTZ and Donaldsons]. The presentation, related to the appraisal and procurement of development projects. Firstly, Tim highlighted some projects where C & W has advised, notably Dacorum Council, on the development of a new civic hub in Hemel Hempstead, comprising local authority, police and health offices, library, leisure centre and 300 residential units. Of note, Dacorum has substantially de-risked the scheme which has enabled it to proceed with a development management agreement rather than based on a developer's profit.

A number of firms, such as Skanska, are interested in working alongside clients in a development manager

role, where occupier and market risk is well contained. Where working with development managers, public sector land owners will clearly need to be satisfied that construction and other costs are within acceptable norms and also need to appreciate that these partnerships may not be well suited to innovation.

Francis outlined some development trends with public sector clients towards containing up-front costs [e.g. through JVs] and seeking revenue rather than capital receipts. Private sector appetite for partnering with the public sector has improved – driven by perceptions that the market is about to peak and the public sector is less of a risk. He next outlined current challenges including the withdrawal of supermarkets from development schemes, build cost pressures, s106 and CIL constraints and partnership issues [Ed – see separate article in this Terrier].

Tim concluded the session with a summary of how procurement can assist to assure bidders that the public sector organisation will make a good partner. He referred to the 2015 procurement rules, which include some new mandatory requirements. Unless the landowner is able to specify exactly what is required, 2 procurement routes are available:

- a. Competitive procedure with negotiation. This is new and enables the public sector to engage with the market
- b. Competitive dialogue.

In Tim's view option b continues to provide more leeway for post-tender changes than the new option a. However, he stressed that revisions to the standard local authority PQQ form are required if a local authority land owner is to gain respect with bidders.

### **Tony Hutchinson, consultant**

Tony's experience in the sector stretches back to the 1970s and includes being chief executive of a housing association. He now works within the housing sector as a consultant and is a passionate advocate of social rented housing. Tony's presentation included the following points/observations:

- Affordability. He is working on an estate regeneration programme in Westminster where the average sale price of the existing units is £436,000
- History. In 1918 70% of housing was private rented; this had dropped to 10% by 1980 [accompanied by 70% home ownership]
- Policy & trends. In recent years private rented has grown significantly, often at the expense of home ownership, which is anticipated to fall to 60% by 2025. However, government intervention in planning, taxation and regulation of lenders, is being galvanised to dampen demand by private [and social] landlords and promote home ownership. Competing against these are local investors who are seeking higher returns than those

that have been available in recent times, or global investors who regard the UK as an attractive investment climate. In terms of UK investors, the aging demographic, combined with government policy decision to enable considerable lump sums to be drawn from pension funds, have contributed to increasing investment in buy to let property [Ed – see article about PRS in this Terrier]

- Bad private landlords. Tony highlighted concerns about the quality of product and illustrated this with slides depicting slum conditions and aggressive attitudes of landlords to complaints about poor conditions and service
- Institutional investment. There is growing interest in the sector from the likes of L&G, which is intending to build 25,000 homes and provide 3 year tenancies. Also within this category; a number of local authorities and Registered Providers are setting up housing companies, which are intended to provide private rented housing at market rates [or above social housing rates]. While revenue is a driver for these bodies, they may also be driven by a desire to address supply problems; South Cambridgeshire could be one such example [Ed – see 2015/16 Winter Terrier]
- Families in temporary accommodation. A number of authorities have placed thousands of families in temporary housing – often

competing with private landlords and buy to let investors to acquire housing or paying substantial revenues in rent to private landlords

- Advantages of renting. Easy to move in/out, cost of moving is lower than home ownership, no repair costs
- Disadvantages of renting. No security of tenure or rent control, lack of equity participation [growth], poor management service, poor condition of properties and response to repair requests by some landlords including 'revenge evictions'
- Regulation. Tony advanced a personal opinion - vested interests in parliament had contributed to lack of regulation of private rented accommodation.

### ***Kirit Vaduku, Rightmove Commercial***

Kirit, as regional head, had been invited to present to the branch, following similar presentations by Rightmove Commercial to other ACES branches and also having regard to the increasing numbers of local authorities advertising commercial property for sale and rent through this medium. Kirit acted as a faithful advocate for his employer, providing a number of good reasons for local authority managers to consider using Rightmove. As part of the presentation, Kirit used Torbay as an illustration and Phil Doggett explained that Rightmove had worked well and been cost effective for Cambridge City Council.

Packages can be tailored to meet individual requirements, but 3 options are available:

- Pay as you go
- Minimum listing of 12 properties
- Portfolio listing. This could cost £300 per month to enable 15 properties to be live listed each month. Also, through Rightmove Plus, a subscriber can take control of listings and access tools for reporting, monitoring and statistics.

Throughout his presentation, Kirit had stressed the increasing reach of digital marketing, which now exceeds all other mediums. Rightmove is a consistent top 10 web site and a Rightmove portfolio listing has the added advantage of providing a direct link to local authority property pages [often buried within council websites]. He also referenced that Rightmove Commercial is in competition with EG's Property Link.

The commercial channel currently bears significant resemblance to the residential channel but will undergo a revamp in spring 2016 and will from thereon have a distinctive commercial appeal. The service is for sales and lettings and is not expected to evolve into a comparable database in competition with EGI, Focus etc.

Future CPD meetings will run on a similar format and are planned for 18 May in Chelmsford and 1 July in Cambridge.

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

The branch held its last meeting at Sewerby Hall and Gardens near Bridlington on 4 March 2016, hosted by East Riding of Yorkshire Council. Despite terrible weather, with snow across parts of the north of England, we had full attendance with 45 delegates, including speakers.

The branch last held a meeting at the

hall in 2010 when delegates received a presentation on the aspirations of the council for a restoration and development scheme to transform the visitor attraction at the council-run facility. Over 5 years on, those expectations have been met and as one of the council's most cherished assets, the Grade I Listed Georgian country house

has been transformed with support from the Heritage Lottery Fund and a total investment of £4m.

The morning session of our meeting was dedicated to a series of presentations from the council's in-house building design consultancy and the curator of Sewerby Hall, who gave a thorough



insight into the restoration project. Entitled "Times of austerity – Times of plenty", the presentations were as follows:

- *Sewerby Hall – A glorious history and a vibrant future* by Janice Smith, Sewerby Hall Curator
- *It's so much more than pygmy goats – project managing the Sewerby Hall Access project* by Gail Cahill, Project Manager
- *Sewerby Hall: 1720 building and 21st Century needs* by Simon But-ton, Principal Architect.

The presentations outlined the project background, its delivery and the secrets of the project's success, showing how investment has transformed income-generation and how this supports the local tourist industry [Ed – I'm hoping I can tempt an article on Sewerby Hall for the next Terrier!].

After the presentations, the delegates

were split into 3 groups and each of the speakers conducted a comprehensive tour of the hall, highlighting the key changes and new facilities. Following a good buffet lunch and some networking, John Murray gave a technical update covering the following topics:

- Mandatory RICS changes to office measurement
- Leasehold Reform – updated RICS guidance
- Critchell Down Rules – revised guidance published by DCLG
- Asset Valuations – Local Authority Transport Infrastructure
- Valuation of Land for Affordable Housing (2nd Edition) - RICS Consultation
- Escalating ground rent and service provisions (Arnold v Britton) [Ed – see 'Legal snippets' in this Terrier]

- Limitation of action in compulsory purchase (Saunders v Caerphilly)
- The Housing and Planning Bill 2015
- Rating Issues.

John's presentation was followed by a session entitled "Filming on council property – The Story of Dad's Army 2014 -2016" which is covered in a separate article in this edition.

Finally, the meeting was concluded with branch business, when it was confirmed that Chris Fairbrother would take on the role of branch junior vice chair and that Karen Maddison and Helen Stubbs were to take over the roles of branch treasurer and secretary later this year.

At the time of writing, the branch executive is making plans for the next branch meeting which will take the form of a CPD day to be held in Newcastle in July.

## Other Interest Areas

# THE GLOUCESTER GLADIATOR

## Further random reminiscences of a rural surveyor

Admittedly it was a very long-time ago, 42 years to be precise, but certain events vividly stick in the mind. I refer to the RICS Rural Practice practical examinations. No APCs then, just the horror of testing on the day, or should I say week, as the pain was stretched out over this timescale.

In preparation for the event my then employers, the GLC, generously paid for me to attend a week's Forestry Refresher course at the old Civil Defence Centre at Easingwold in Yorkshire. I remember a stately pile and silver service cutlery at the dinner table each evening: well I was young and impressionable in those days.

The examinations were based at Newcastle University, and the assembled multitude was housed in the somewhat

austere Students Block. We were encouraged to spend our evenings in quiet contemplation revising for the following day's rigours. Needless to say a small group of reprobates including myself ignored this: what better opportunity to sample the night life of Geordie Land. The first evening was spent trawling the drinking dens of dockland, and the second found us on the terraces of the Gallowgate End at St. James's Park, seeing what the Toon Army could muster up. A look back through my trusted Rothman's Football Annual reveals a 1-0 home win against Stoke City with the only goal scored by Malcolm Macdonald in front of just over 23,500 souls. Support has certainly blossomed since then, even if performances haven't [Ed – I take no responsibility for this viewpoint!].

The 1st day found us transported to a clearing in a woodland far from civilisation. The chief examiner, later to be a reputable President of the RICS, greeted us all, probably over 80 nervous innocents, with a cheery grin: "Welcome to you all; how good it is to see so many of you back for your annual outing!" Hardly an auspicious start designed to instil us with joy. Now my knowledge of forestry was, still is, limited in the extreme despite my sojourn at Easingwold. Whatever confidence I may have possessed was quickly dented by our first exercise: identify the trees from which various circular sections of timber had been hewn. To say I hadn't a clue would be an understatement; not an encouraging start. The next exercise was more to my liking, at last something I

might be able to do. We were required to measure the likely volume of a swathe of commercially usable standing timber. We were given standard issue Hoppus Feet calibrated tape measures to assess tree girth and expected to assess tree height by educated guess. Now the old imperial hoppus feet measurement was replaced by its modern metric equivalent decades ago, but somehow I don't think it has such an authentic ring about it.

On the 2nd day we were dumped on a large arable farm somewhere north of the city, straddling the A1 and not far from Morpeth. The farm was swathed in thick pea soup fog with negligible visibility. Among our tasks on that forlorn day was to identify young green shoots of cereal

crops. Now the traditional way of doing this is to pull the shoot out of the ground and examine the seed from which it had sprung; not an easy task when the ground is frozen solid with frost. My comrade in arms from the GLC and I had paired off despite admonishments against any form of collaboration, to ensure we avoided getting lost. Quietly comparing notes, we were startled by an invigilator jumping out from behind a hedge, wildly remonstrating against what he perceived as collusion.

The rest of the week, as I recall, was spent more convivially at a compact livestock farm measuring and valuing clamps of silage and bays of hay and straw; compiling schedules of dilapidations for

an outgoing tenancy valuation; preparing residual sod fertility assessments; valuing live and deadstock; and preparing certificates of bad husbandry, all stock in trade tasks for the rural valuer.

Well to my considerable surprise, and notwithstanding my louche behaviour during the long Newcastle evenings, I passed and duly took up my RICS associateship. Not for me the annual outing and cruel gruelling. I'm sure it must be easier now. As to how much, if any, this was actually relevant in day to day practice it's easy to say – very little, but at least my expertise, such as it was, had been challenged, and my credentials hard fought and won. Happy Days!



This article is a summary from a presentation John made to ACES North East branch meeting held at Sewerby Hall, Bridlington and tells the story of the East Riding of Yorkshire Council's involvement in the recently released Dad's Army film. It is intended to give an insight in to the logistics involved in filming projects on your land and the potential economic benefits of filming and film tourism.

## FILMING ON COUNCIL PROPERTY – THE STORY OF DAD'S ARMY 2014-2016

John T Read BSc (Hons) FRICS

The story of the new Dad's Army film started for the council in the summer of 2014 when it received enquiries from a film location company regarding potential locations in Bridlington. These enquiries were initially handled by the marketing team, who act as the initial point of contact for film requests, but it soon became apparent that the East Riding had a number of potential locations that suited the requirements of the film and several of these were council-owned property or land.

### **Screen tourism**

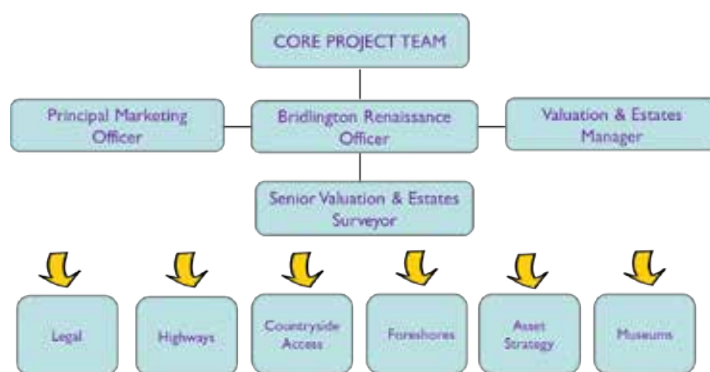
Before going further into the logistics and details of the various locations and to put all this into context, it is useful to consider the subject of screen tourism, a growing phenomenon that is attracting domestic and overseas visitors in abundance. More and more locations in the UK are seeing the economic benefits from a booming screen industry, which in 2014 saw £1.47bn spent on film production in the UK. This represented a 35% increase on the previous year and was particularly

due to the extension of Creative Sector Tax Reliefs the year before.

In March 2015 Olsberg – SPI published a report commissioned by Creative England, in association with Visit England, entitled 'Quantifying Film and Television Tourism in England'. The report and research, which excluded the London area, looked at 8 locations across the country and included locations used in the production of the Harry Potter Films, Broadchurch, Brideshead Revisited and other productions.



The Old Town on Parade Day



The DVD and Blue Ray home release is scheduled for June 2016.

### Filming in the East Riding

The council is committed to encourage filming in the East Riding to facilitate the development of film and television production. It is a member of the Film Friendly Partnership in association with Creative England, the official agency working for and on behalf of the British Film Institute and the UK government in supporting all types of filming.

It provided clear evidence that tourists travel to sites specifically because they have been depicted in films and television series and concluded that in 2014, screen tourists brought in between £100-140m to the economy, with the most popular locations attracting up to £1.6m annually from international tourists.

There can also be an economic boost during filming, with an influx of crew and technical support plus film tourists, something evidenced in Bridlington during 7 weeks in October and November 2014, when there was a short-term boost to the local economy with the following local spend:

- £38,000 in commissioning local tradesman
- £28,000 spent by crew and cast on hotel and self-catering accommodation
- £50,000 paid to businesses in the old town

- £2,800 paid to extras at a rate of £78 per day.

The above only captures the known local spend and the actual figures are likely to be higher, with some of the businesses in Bridlington Old Town reporting the best trading for a November in 20 years, which is not surprising, given the influx of over 100 cast and crew during the filming.

### A bit about the film

The Dad's Army film was a Universal Pictures International Production, supported by Screen Yorkshire with funding from its Yorkshire Content Fund. This funding was integral to bringing the much-loved British comedy to Yorkshire and to the big screen and meant that the vast majority of filming was on location in Yorkshire over a 7-week period starting in October 2014. In addition to the usual London film premiere, a Northern Premiere was held at The Spa Bridlington on 3 February 2016, 2 days before the general release, and in the first 4 weeks the UK box office receipts were £7.7m.

As soon as it became apparent that the council would host around 80% of the locations used in the film and that a large proportion of these were our land or property, it became clear that a small officer team would be required to take a co-ordinating role across all council services involved. The film industry seems to work on very tight timescales often with decisions made at short notice, so with little time before the planned filming date and a message of support from the corporate management team, a core team was set up. The team members had specific responsibilities while working together, to ensure that issues were addressed by the correct officers in a speedy manner, and so that the council could respond to the needs of the filming team in the lead up to and while on location.

During the planning stage, the role of this team was key to the success of the filming project and it was important that they were able to respond quickly to changes and new issues and to be able to treat these with the confidentiality that





The bull chasing the platoon



Beach battle



Old Town filming

Universal Pictures required. Post-filming the team has dealt with interaction with stakeholders handling some of the legacy issues, including the Northern Film Premier held at The Spa Bridlington.

For the film, Bridlington Old Town presented the opportunity to double as a 1940s Walmington-on-Sea, as the narrow streets and period character of the location lent itself to meet the requirements for the film, with minimal adaptation presenting a low cost solution

to the film location company. The nearby high chalk cliffs of Flamborough Head and Bempton, despite being over 300 miles from the south coast, provided the ideal replica for the white cliffs of Dover, and coupled with the rural countryside and the wooded nature reserve of Danes Dyke, the East Riding of Yorkshire was the location for many of the outside scenes in the film. Many private properties in Bridlington Old Town, the East Riding Theatre in Beverley and a room at Sewerby Hall and Gardens also provided

some of the interior settings for the film. The filming also strayed outside the East Riding with scenes being filmed at Duncombe Park, the North Yorkshire Moors Railway and Helmsley. The exterior of Leeds Town Hall and city centre were cleverly disguised as the war torn streets of London.

It was not just film locations that played a part in the production, but also the technical support sites which the council made available in Beverley, Danes Dyke and Bridlington close to film locations.

The 7 weeks of filming in the county demonstrated a high level of collaboration between the local communities, the council and the production company and crew. The film producer Damian Jones commented:

*"We had a wonderful experience shooting Dad's Army in Yorkshire. Its stunning locations give the film an epic scale and the people were beyond helpful."*

### ***The council-owned locations and logistics***

There were 8 council sites involved as either locations or technical support bases. The use of these sites was controlled under the terms of a licence agreement to the film location company, granted for a 7-week period. The terms included a licence fee and covered provisions for site reinstatement, public liability insurance, provision of full risk assessments and movement logs, and acknowledgement of the council's support in the film credits. It also included other usual terms for the temporary use of land. The core project team worked very closely with the film location company on a daily basis over the filming and provided a staff presence for community liaison while filming at council locations.

#### Danes Dyke

A council-owned and managed 148-acre nature reserve and a Scheduled Ancient Monument. The woodland within the reserve and adjoining agricultural land provided locations for filming while the platoon was on manoeuvres in search of a suspected enemy activity.





The council and local partners are currently working with Universal Pictures on a number of legacy proposals aimed at encouraging visitors to the area, giving them the opportunity to experience some of the locations involved in the film and help add to the wider tourism offer of the area. These proposals include:

- The publication of a one-off period newspaper
- The establishment of a film trail

- A vintage bus tour visiting sites and film locations
- A Dad's Army exhibition at Sewerby Hall and Gardens
- A 1940s theme for the annual Old Town Summer Festival.

Following the success of the filming, and as a result of the cooperative and supportive approach taken by the council and local community, the council continues to receive enquiries

from the film industry in connection with new projects. The council has provided the technical base for filming at Beverley Minster in connection with the television series, Victoria. The beach at Bridlington will feature in a number of future productions and the council is currently working on several other opportunities that could see further big screen productions on location in the East Riding.

## THE SUFFOLK SCRIBBLER

### *The Dentist*

Having discovered that my newly purchased granola was a particularly hard variety, I was taking the opportunity to have a more than usually leisurely breakfast and leaving it to soak in milk for as long as possible. But as soon as I tasted the first mouthful, I felt something really hard in my mouth, which on closer examination proved to be a tooth, or more accurately half a tooth, as will be revealed later.

However, for the moment I could see where the tooth had come from but on closer examination, using my little mirror on a stick, part of a recently purchased "complete dentist's outfit" from Poundland, there appeared to be a new tooth already growing in the gap. Perhaps it was this new growth that had forced the old tooth out? An urgent consultation with my dentist seemed to be the best way forward.

*"Oh, that's the loose tooth we pinned some time ago, remember?" said the dentist "and it's now sheared off along the pin line."* I didn't in fact remember. *"I'll make you an appointment with my Saturday extraction man. We ought to dig out the pin, the stump and the roots before they begin to decay and cause problems."*

And so it was that I was shuffling my way into the dentist's chair one Saturday morning without, apparently, a care in the world. "When did you last have an

extraction?" the dentist enquired. As I couldn't remember he gave me the long version of his general introduction, including the piece about "and if it gets too painful wave your hand so that I can see it and I'll stop." That rang a faint bell and as he started to get to grips with the remains of my tooth, 2 earlier events came to mind.

First I was in the chair undergoing some rather painful procedure when it all got too much for me, and forgetting completely about the hand signalling option for terminating the treatment, I just bit down hard on the drill, thus bringing the process to an abrupt halt and incurring the severe wrath of the dentist.

The second time I was in that situation I decided to try out some deep relaxation techniques I had read about, so I ensured that physically I was as comfortable as possible and then I began to focus intently on something other than what the dentist was doing. This seemed to work well and the dental activity began to recede substantially. Unfortunately, all good things come to an end as very soon I became aware of some rather panic stricken cries of "Are you alright?" Apparently I had dropped off to sleep and this had freaked out both the dentist and the nurse.

Just thinking about these 2 previous events distracted me from the current work being undertaken and in no time

at all it was all over. I didn't feel a thing. All that was left was for the dentist to present me with the traditional wad of sterilized gauze, with the words "Put that over the gap and bite down hard for the rest of the day to staunch the bleeding."

That is what was said last time and then, as I made my way a little unsteadily back to the car park, I found myself walking on the very edge of the footpath, nearly in the gutter, when a large truck swept by almost brushing my arm. That startled me so much that I could not help saying out loud the words "Gesuss Kist!" through clenched teeth.

### **22/02/1942**

Although I still put a lot of effort in searching through stocks of second hand books, I do not buy as many as I used to as I have nearly run out of space at home. However, I did come across one very attractive tome a few months ago entitled "The 1,000 Day Battle" by James Hoseason. The objective of the book is recorded on the front cover as being:

*An illustrated account of operations in Europe of the 8th Air Force's 2nd Air Division, 1942 to 1945, including particularly its 448th Bomb Group and other B-24 units based in East Anglia's Waveney Valley.*

The book was published in November 1979 and its rather flimsy cover was beginning to separate from the rest of

the book. Even so, it was priced in excess of what I would normally expect to pay, but it did seem to offer a locally based view of what happened, so I decided to buy it.

Imagine my chagrin when reading chapter one, I had serious doubts about the accuracy of the 5th paragraph, which stated that:

*22 February 1942 was a key date... No air battles were involved... But 3 matters of great importance did take place in and from Southern England.*

1. *Air Marshal Arthur Harris arrived at High Wycombe to take up his new appointment as Commander of RAF Bomber Command*
2. *General Ira Eaker and 6 senior US Army Officers arrived in England as an advanced detachment to prepare the groundwork for the V111 Bomber Command of the American Army Air Corps*
3. *British forces staged a successful raid on a German radar station at Bruneval in Northern France, capturing and taking home some of its advanced radar equipment.*

Inexplicably, the author fails to mention a matter of even more importance which took place on that date, 22/02/1942, namely the birth of yours truly, The Suffolk Scribbler.

### **Airfields of East Anglia**

There must be more than 100 airfields in East Anglia, most of which were built specially for the use of the American Army Air Force from 1942 onwards. Some airfields were already in existence and were transferred to AAAF use. After the war, most became redundant and were transferred to the RAF. Some are still used operationally by either the RAF or the Americans.

I want to focus here on the former airfield at Martlesham Heath, Suffolk. This was designated as USAAF station number 369 during the war and was home to a number of fighter squadrons. After the war the station transferred to the RAF and was used for a variety of purposes, including experimental work. When RAF use ceased, the site was known as the Post Office Research Station, but it was subsequently renamed BT Research Laboratories, and later Adastral Park, to reflect an expansion in the organisations and activities co-located with BT.

While writing this piece, there was an item on the radio discussing some of the Research Laboratories' current work. Having worked locally for many years, I have attended a number of such talks and have listened to many dramatic announcements. For example, back in the 70s a BT boffin predicted that in a few years, and before any of us present retired, in our office environment we would see a computer terminal or a personal computer on everyone's desk. How we all laughed at this, particularly those who attended on the needs of the "mainframe" housed in glorious isolation

in its air-conditioned space.

Later, in the 90s another boffin predicted that a patient needing an operation could be admitted to a local hospital and be operated on, by remote control as it were, by a surgeon in, say, California. At the Q&A session at the end of this presentation, I asked if I was the patient requiring an operation, would it be possible using this technology, for me to be sent to California and operated on remotely from, say, Ipswich? No answer was forthcoming, showing, at the very least, that boffins may be able to predict the future but have no sense of humour.

Adastral Park is probably the most hi-tech use of a former airfield where elements of its former use can still be identified on site. Elsewhere the infrastructure, i.e. concrete tracks and dispersal points, of some airfields have become industrial estates or are used for some agriculturally-related purpose. After 70 years the location of nearly every airfield can be identified by physical remains still around, whether these are memorials, isolated groups of difficult to place buildings "in the middle of nowhere," control towers, hangars or a lot of concrete.

For those readers who do not live in Norfolk or Suffolk; why not come over here and stay for a few days in order to sharpen up your observational skills?

### **The Terrier**

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