Local Partnerships

The Future of Joint Ventures conference

Mutually beneficial relationships – Rob Hann

Commercial expertise driving value and efficiency in local public services

Local Partnerships is jointly owned by

HM TREASURY

Local Government Association

Who are Local Partnerships?

Local Partnerships

- **JV - owned** by HM Treasury & LGA

HM TREASURY

Local Government Association

- **Uniquely placed** to act as a bridge between central and local government

- Focus on **delivering local infrastructure and achieving service transformation and efficiencies**.

What do we mean by a ‘joint venture’?

Local Partnerships

Public to public:

- Pooled budget
- Joint commissioning/ promotion
- Corporate structures such as wholly publicly owned companies

Third sector partnerships:

- Social enterprise vehicles

Public to private:

- Contractual
- LIFT and BSF
- Frameworks & alliances
- Corporate joint ventures

So why a joint venture?

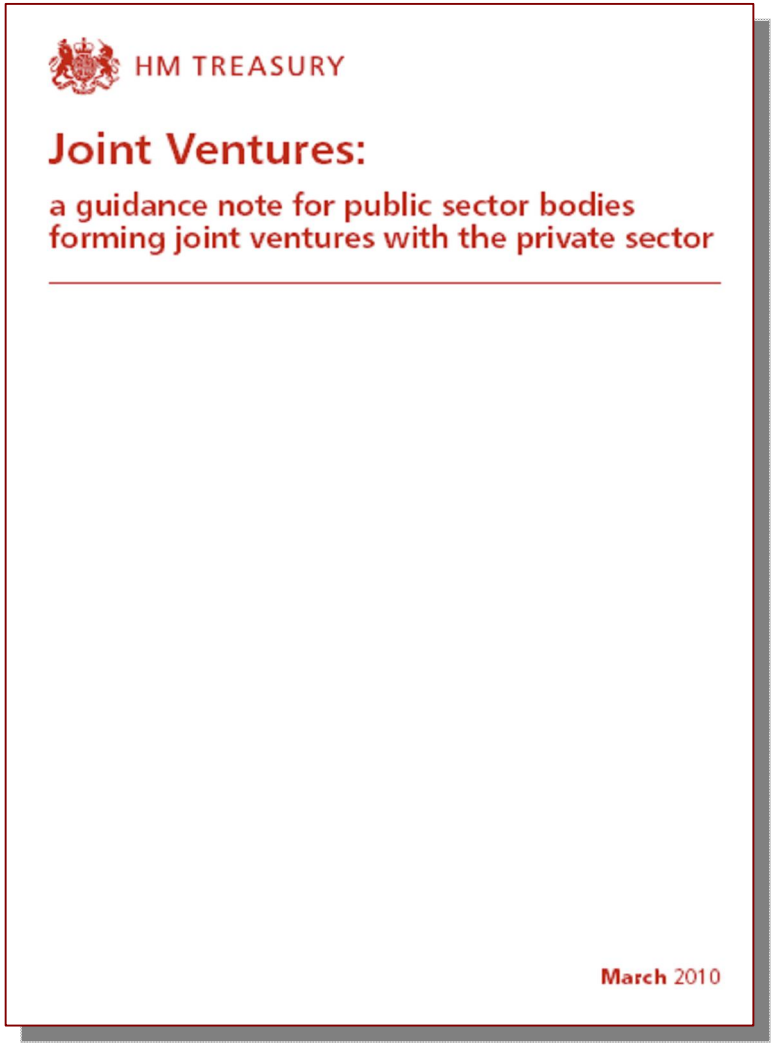
Local Partnerships

- The fragile economy
- Scarce public finances
- Investment needs for infrastructure, new build, repairs and maintenance
- Cuts to public capital and revenue budgets
- A problem shared?

- Combine resources and expertise to achieve a common outcome
- Economies of scale, financial savings
- Access to scarce sources of investment through sustainable PPPs

Where to start?

HMT Guidance on JVs


HM TREASURY

Joint Ventures:

a guidance note for public sector bodies forming joint ventures with the private sector

March 2010

- Focus on the route to market for JVs
- Outlines the most common joint venture structure, the private company limited by shares
- Also considers LP and LLP vehicles
- Replaced 2001 guidance

HM Treasury: JV Features

Local Partnerships

- A JV involves **risk sharing**;
- It is **not a way** for the public sector **to transfer risk** to the private sector through (say) an ‘arm’s length’ relationship.
- JVs established for **complementary objectives**.
- If **alignment of interests** is not present, a JV is unlikely to be the best structure to use.
- If the public sector wishes to conclude arrangements which are limited in scope, little or no potential for growth and diversification, or where risk transfer rather than risk sharing is sought, **other approaches may be more suitable** e.g. PFI, contract etc.

What are the key steps to developing a JV?

Local Partnerships

Initial planning → Options appraisal → Business case and detailed planning → Selection of JV partner(s) → Launch and manage JV

Ongoing appraisal and VfM assessment

source: HM Treasury Joint Venture Guidance

JV Guidance and the CAP programme

- HMT Guidance → LP JV guidance for LG
- Lessons from CAP programme
- CAP - better management of capital flows and assets to promote economic growth and inclusion
- Public estate is valued between £370 - £500bn.
- Two-thirds is owned by local authorities.

- CLG - through a strategic commissioning approach efficiencies can be achieved

What is the CAP Programme?

Local Partnerships

- Capital and Assets Pathfinder programme – CLG/LP/LGA/LG
- First wave -11 pathfinder authorities
- Intensive authorities: Cambridgeshire, Hampshire, Solihull, Swindon, Wigan, Worcestershire
- Laboratory authorities: Durham, Hackney, Hull, Leeds, Leicestershire & Leicester City

- 4 pathfinders have town centre regeneration as one of their projects - Solihull, Swindon, Wigan and Cambridgeshire (Wisbech)

- 15 Wave 2 pathfinder authorities have now been selected to increase the learning and develop best practice.

What does the LG JV Guidance cover?

Local Partnerships

- Funding and investment opportunities
- Governance issues
- Structures for joint ventures
- Resourcing for JVs
- Local authority powers and vires
- Procurement issues

What are the main funding and investment opportunities?

Local Partnerships

1. Grants
2. Land and asset sales
3. Prudential Borrowing
4. Jessica EU funding (and similar initiatives)
5. Business rates
6. Developer contributions
7. Joint Ventures and sustainable PPPs

What Structures exist for JVs?

Local Partnerships

Joint venture vehicle

- Never jump straight to setting up a separate corporate vehicle
- Always consider all options carefully including contractual JVs
- A ‘vehicle’ may be appropriate for sharing and managing risks and benefits
- Define and establish complementary objectives
- Alignment of interests
- Flexibility

Can we forget about Powers and Vires?

Local Partnerships

- Identifying legal powers is crucial even after Localism Act
- General Power of Competence under Localism Act – will it extend powers?
- Explore pre-commencement powers for limitations, exclusions, prohibitions;
- If ‘acting for commercial purpose’ must act through a ‘Company’.
- Any potential investor, funder or partner will also need to be satisfied about the local authorities powers before investing, lending money or participating in any JV.

Summary

Local Partnerships

1. JVs both public/public and public/private are being explored
2. Use existing available knowhow to plan approach and anticipate the difficult issues
3. Do a full options appraisal
4. Robust Business case is essential
5. Don’t jump to setting up a vehicle without thinking through the pros and cons of contractual JVs
6. Risk transfer-v-risk share, alignment of interests?
7. Consider route to market if private sector partner sought
8. Establish powers to establish or participate in a JV
9. Seek help and advice from others who have been there, done it
10. Local Partnerships ‘regeneration options review’ service

Contact details

Rob Hann

Director Legal Services

0776 890 6391

rob.hann@local.gov.uk

Useful links

Local Partnerships

More information about the findings from the wave 1 Capital and assets pathfinder programme can be found at:

www.communities.gov.uk/localgovernment/decentralisation/capitalassets

Local Partnerships guidance for Local Authorities:

Capital Investment, Regeneration and Joint Ventures

http://www.localpartnerships.org.uk/userfiles/file/Publications/Capital%20Investment%20Regeneration%20and%20JV.pdf

HM Treasury Joint Venture guidance:

http://www.hm-treasury.gov.uk/d/joint_venture_guidance.pdf

Local Authority Companies and Partnerships by Rob Hann:

www.lacaponline.com – see newsletter