

CAMBRIDGESHIRE HORIZONS

Agenda Item No: 11e

Local Asset-Backed Vehicle

To: **Cambridgeshire Horizons Board**

Date: **25th March 2009**

From: **Chief Executive, Cambridgeshire Horizons**

Purpose: **To present options for a Local Asset-backed Vehicle which could be a means to drive forward the growth agenda, and enhance the quality of developments, during the economic downturn.**

Recommendation: **The Board is invited to comment on the presentation to be given on the day of the Board meeting, and the attached report.**

The Board is asked to take a view on whether to proceed with further work on a Local Asset-backed Vehicle for Cambridgeshire.

Contact:	Name:	Alex Plant
	Job Title:	Chief Executive
	E-mail address:	alex.plant@cambridgeshirehorizons.co.uk
	Telephone No:	01223 714053

1 PURPOSE

1.1 To consider the report prepared by Eversheds and King Sturge in partnership with Cambridgeshire Horizons, and decide whether there is merit in pursuing further work towards a Local Asset-backed Vehicle for Cambridgeshire.

2 BACKGROUND

2.1 The attached report gives full details, but, in brief, a local asset-backed vehicle (LABV) is a public/private 50/50 partnership to deliver development and infrastructure projects. The partners would each bring assets and expertise, which would be pooled to achieve goals such as getting housing sites delivered where existing developers were unable to bring the sites forward because of cashflow or other constraints. The partners would share the long-term land value capture, and public assets would be used to leverage greater private sector investment. Similar approaches are in existence in, for example, the East Midlands and Croydon.

2.2A LABV could allow the public sector to take a more pro-active role in development, as a response to the recent reduction in the available levels of developer/housebuilder investment. The public sector would share risk with institutional investors (such as pension funds, mutual building societies) and would take a share of profit in return. The main candidates to contribute assets from the public sector side would be the County Council, the Homes and Communities Agency, and the City Council.

2.3A further potential attraction in the LABV is that the public sector bodies (most likely to be the County Council, the City Council, and the HCA in this instance) would be able to specify the *quality* of any developments it was involved in, and employ housebuilders as contractors. This would be different to the traditional approach, where quality specification is the preserve of the developer, with the local authorities only able to control quality through the planning system.

2.4 The idea of a LABV was discussed in a high-level workshop in December 2008, and it was felt that the option warranted examination. Cambridgeshire Horizons has subsequently taken forward a study, working with Eversheds and King Sturge, looking at the potential for a LABV to deliver high quality growth.

2.5 Proposals for investigating a LABV were discussed at the Board in December 2008, as an option to respond to the economic downturn. The March Joint Strategic Implementation Committee meeting also had a brief presentation and discussion on the LABV work.

2.6 There are a number of options for the scope of the LABV. The lead option proposed is that the LABV should adopt an incremental approach, beginning with the "ready-to-go" sites around the Cambridge Urban Fringes, with a view to expanding to encompass the market towns and other developments at a later stage.

3 NEXT STEPS

- 3.1 In order to determine the appropriate structure of a LABV for Cambridgeshire, further work would be needed to examine implementation options. If there was a decision to pursue this further, a report setting out a potential LABV structure would be brought to a future Board meeting.

- 3.2 Should the decision be taken to go forward with this work, the analysis in the main report, drawing from experience elsewhere in the country, suggests that a LABV could be set up and ready to tender for a private sector partner in 2010.