

Southend-on-Sea Borough Council

Report of Executive Director (Finance and Resources)
and Deputy Chief Executive and Executive Director
(Housing and Growth)

To
Cabinet

On
25th February 2020

Agenda
Item
No.

Report prepared by:
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Housing and Development Pipeline Update

Policy and Resources Scrutiny Committee
Cabinet Members: Councillor Ian Gilbert and Councillor Ron Woodley

Part 1 (Public Agenda Item)

1. Purpose of Report

- 1.1 To update members on the work underway on the pipeline of housing and development opportunities across the borough.
- 1.2 To present the proposed new arrangements for PSP Southend Limited Liability Partnership (the LLP), including the use of the PSP Housing Model to support housing delivery and support wider benefits.

2. Recommendations

- 2.1 To note progress on the Acquisitions Programme for Council Housing as set out in sections 3.5 – 3.9 of this report.
- 2.2 To note the progress of the first phase of housing and development pipeline sites currently in delivery as set out in sections 3.10 – 3.13 of this report.
- 2.3 To note that the new arrangements for the LLP have been settled and the legal work is being completed to establish the new arrangements pursuant to minute 324 of Cabinet 17 September 2019 and Policy and Resources Scrutiny minute 404 on 10 October 2019.
- 2.4 To agree the proposed new arrangements for the LLP including:
 - (i) The updated aims and objectives for the LLP for 2020-2030 as set out in sections 3.13 to 3.34 of this report, including the housing model

- (ii) Establishing the new Procedure Agreement and Members Agreement between PSP Facilitating Limited (1), Southend on Sea Borough Council (2) and the LLP (3) and delegating authority to the Executive Director Legal and Democratic Services to finalise and complete the Agreement.
- (iii) Delegating authority to the Chief Executive to:
 - a. Appoint the Council representatives to the LLP Partnership Board
 - b. Appoint the members of the Partnership Board and the Partnership Executives

Including dealing with any future changes to such appointments.
- (iv) Delegating authority to the Partnership Board:
 - a) To agree the re-branding of the LLP (creation of a new trading name).
 - b) The commitment (on behalf of the Council) to funds for feasibility and project delivery within budgets already approved for housing and development delivery.
 - c) Following a Cabinet decision to opt land in to the LLP for the delivery of agreed objectives, to progress the development of the land through the LLP in accordance with the objectives for that land subject to each project clearing the required financial and legal due diligence tests.
- (v) Delegating authority to the Director of Property & Commercial to request that the LLP consider initial feasibility of sites following their appraisal through the development pipeline process (noting that Cabinet approval will be required prior to any site being legally opted in to the LLP for delivery).
- (vi) That any necessary amendments be made to the Constitution to reflect the recommendations in 2.4 above.
- (vii) That Councillors note that the matters identified in Appendix 1 to this report are matters which will be reserved for Shareholder Board.

2.5 That subject to Council approval, members agree to identify an initial budget of £5 million in the Capital Programme for the delivery of housing through the LLP and delegate authority to the Executive Director Finance and Resources to finalise the terms and make loans to the LLP within the allocated budget to enable delivery of development in accordance with the principles of the PSP Housing Model and subject to any schemes delivering an appropriate and sustainable return on investment.

3. Background - General

- 3.1 On 25th June 2019 Cabinet resolved to progress with a regeneration framework, develop a pipeline of housing and regeneration projects and proceed with the Acquisitions Programme for Council Housing.
- 3.2 On 17th September 2019 and 5th November, Cabinet noted the progress of both the regeneration framework and the Acquisitions of Programme for Council Housing.
- 3.3 On 17 September 2019, Cabinet also agreed to the re-branding of PSP Southend LLP and to updating related governance arrangements. Agreement was also reached for the Ilfracombe Avenue site to be delivered under the PSP Housing model and for PSP Southend LLP to be invited to undertake the next stage of feasibility for sites which the pipeline assessment work has indicated would be suitable for PSP delivery.
- 3.4 Cabinets reports on 5th November 2019 and 16th January 2020 provided further update on the progress of the Acquisitions Programme, the LLP resetting and rebranding and the Allocations Policy.

Acquisitions Programme Update

- 3.5 On 25th June 2019, Cabinet agreed to proceed with the Acquisitions Programme for Council Housing and agreed the associated £6.6m budget in response to the need for the use of accumulated Right to Buy capital receipts for the Council, which required a spend programme as detailed below:

Quarter	19/20 RTB required investment	Spend*
Q2	£ 1,844,114.14	£ 2,754,500.00
Q3	£ 1,916,028.32	£ 1,615,500.00
Q4	£ 880,947.56	£ 917,500.00
Total	£ 4,641,090.02	£ 5,287,500.00

*value of properties acquired, not inclusive of legal fees, valuations or SDLT

- 3.6 A corporate team has worked with South Essex Homes officers and have been progressing with the identification and acquisition process agreed by Cabinet previously. As of the end of January 2019, 22 properties have been purchased to a value of £5.28m. A further 5 properties are under offer and with solicitors to the value of £1.06m

- 3.7 Of the properties acquired in this programme; 4 are already tenanted, 3 have been identified for adaptations by the Council's Aids and Adaptations team, and 15 have voids works ongoing or pending.
- 3.8 The following table sets out the properties currently completed or under offer and the total anticipated spend:

Property Type	Bedrooms	Offer	Completion Date	Anticipated completion
semi-detached	4	£ 335,000.00	26/07/2019	
semi-detached	3	£ 248,000.00	16/08/2019	
bungalow	2	£ 255,000.00	30/08/2019	
terraced house	3	£ 230,000.00	03/09/2019	
semi-detached	3	£ 320,000.00	13/09/2019	
end of terrace house	2	£ 240,000.00	20/09/2019	
semi-detached	3	£ 260,000.00	23/09/2019	
semi-detached	3	£ 245,000.00	23/09/2019	
flat	2	£ 182,500.00	24/09/2019	
semi-detached	3	£ 254,000.00	26/09/2019	
flat	2	£ 185,000.00	30/09/2019	
end of terrace house	3	£ 270,000.00	04/10/2019	
semi-detached	3	£ 248,000.00	23/10/2019	
semi-detached	2	£ 235,000.00	25/10/2019	
terraced house	3	£ 242,500.00	12/11/2019	
end terrace	2	£ 225,000.00	04/12/2019	
end of terrace house	2	£ 260,000.00	06/12/2019	
flat	1	£ 135,000.00	20/12/2019	
semi-detached	2	£ 245,000.00		14/02/2020
semi-detached bungalow	2	£ 252,500.00	31/01/2020	
maisonette	2	£ 170,000.00	24/01/2020	
terraced house	3	£ 250,000.00	31/01/2020	
flat	2	£ 185,000.00		14/02/2020
house	3	£ 130,000.00		14/02/2020
end of terrace	3	£ 260,000.00		07/02/2020
end of terrace	3	£ 240,000.00		tbc
semi-detached house	3	£ 245,000.00	31/01/2020	
		£ 6,347,500.00		

Regeneration Framework and Development Pipeline

- 3.9 As previously reported, 31ten Consulting (31ten) have been engaged to bring independent advice and rigour to the process of analysing individual sites, their development potential and how they can most beneficially fit in to a comprehensive development pipeline within which capital receipts can be recycled to improve the sustainability of the overall programme. This includes sites for housing, wider regeneration and a range of other land uses.

- 3.10 A housing and development pipeline, including Council owned and private sites, has been collated by a corporate team of Assets, Strategic Planning, Housing, Development Control, Regeneration and Finance officers.
- 3.11 The next stage of the pipeline work is now underway high-level feasibility work on batches of sites. Scale and massing work has been commissioned to establish the development potential of an initial batch. The remainder of the pipeline will be subject to further procurement for which the brief is being finalised to go to the market during February. The outputs of this work will enable a more detailed assessment of the number of homes which could be delivered across the pipeline and inform the decision on the most appropriate delivery vehicle for each site.
- 3.12 A number of sites within the pipeline are currently underway and this section sets out those sites which are approved to proceed and which are now in the delivery phase.

Site	Number of Homes	Delivery Vehicle	Progress comment	Estimated completion
Friars, Constable Way	Nursery plus 9 houses	PSP Southend LLP	Nursery complete and let. Housing is ahead of target. All homes have been sold off-plan while under construction.	Q4 2020
Ilfracombe Avenue Car Park	24 flats	PSP Southend LLP	Agreed to proceed via PSP Southend LLP at Cabinet on 17 th September. Pending agreement at the next stage by the LLP.	Q1 2022
Modern Methods of Construction (MMC) Pilot Project	4-5 Homes	Self Development	Employers Agent (EA) & Architect have now been appointed. Site investigation has been carried out. Full Planning application to be submitted in early 2020.	Q1 2021/22
HRA Phase 3	Estimated 25 Homes	Self Development	Site investigation has now been carried out. EA appointed following procurement exercise in December 2019 and Architect procurement has commenced.	Q3 2021/22
HRA Phase 4	Estimated 20 - 31 Homes	Self Development	Site investigation has now been carried out. EA was appointed in December 2019 and Architect procurement has commenced.	Q4 2021/22

HRA Phase 5 & 6	Tbc	Self Development	Feasibility work to determine Phases 5 & 6 now underway.	tbc
Total	82-94 +			

PSP Southend LLP Update

- 3.13 On 14 June 2011, Cabinet agreed to establish the LLP which has 50:50 representation and ownership by the Council and BV Strategies Facilitating Ltd. (now PSP Facilitating Ltd) respectively. On 12 December 2011, the LLP was formally incorporated the LLP.
- 3.14 On 17 September, Cabinet agreed to the re-branding of the LLP and to updating related governance arrangements with the detail delegated to the Strategic Directors Finance and Resources and Legal and Democratic Services in consultation with the Leader of the Council. Agreement was also reached for the LLP to be invited to undertake the next stage of feasibility for sites which the pipeline assessment work has indicated would be suitable for LLP delivery and this work is underway.
- 3.15 Following Cabinet in September, discussions have been progressing to re-set and re-brand PSP Southend LLP, focussed mainly (but not exclusively) on housing delivery and to align the governance to the Shareholder Board.
- 3.16 These proposed new arrangements have now been settled and Cabinet authority is therefore sought through the recommendation of this report to the establishment of the new governance arrangements, the agreements to enable them and to a series of delegations to enable the smooth and commercial running of the LLP. As previously reported to Cabinet, assuming all matters are agreed, it is expected that the new arrangements will be in place for the start of the 2020-21 Financial Year. Cabinet members have expressed a desire for affordable housing to be maximised and for this to be considered on each site where viability permits.
- 3.17 **How the current arrangements work:**
- A. Under the current arrangements, officers request the LLP to consider early feasibility of projects and this is monitored periodically through the Operations Board (a board consisting of Council and PSP officers).
 - B. As and when projects are ready to be progressed for delivery, they are presented to the Partnership Board (A board consisting of 3 members from each organisation, currently 3 councillors for the Council)
 - C. Assuming the Partnership Board then agrees that the projects are appropriate for delivery, it will request that the Council gives exclusivity for the LLP to progress the site (recognising the need to spend more significant sums of money at this stage).
 - D. At this point, recommendations would be put to Cabinet for the site to be opted into the LLP for delivery. Once approved, a legal option would be

granted to the LLP (subject to clearing financial and legal due diligence) and the site would be progressed through planning and into delivery with periodic reporting back to the Operations and Partnership Boards.

3.18 **How the new arrangements are proposed to work.**

- A. Under the proposed new arrangements, officers will request the LLP to consider early feasibility of projects as they are identified as potentially suitable for delivery via the LLP through the pipeline assessment work.
 - B. The LLP will work up initial feasibility reporting to a project team made up of Council and PSP officers appropriate to the particular project.
 - C. If the project is considered to be feasible, it, along with the proposed objectives for the project will be reported to Partnership Board (The new partnership board will be the LLP board with 2 or 3 officer representatives for each entity, note: there would be no councillors on this board following the principles established across the Council's other companies).
 - D. If Partnership Board agrees that the project is feasible, it will make a request that the Council gives exclusivity for the LLP to progress the site (recognising the need to spend more significant sums of money at this stage).
 - E. At this point, recommendations would be put to Cabinet for the site to be opted into the LLP for delivery. Once approved, a legal option would be granted to the LLP (subject to clearing financial and legal due diligence) and the site would be progressed through planning and into delivery with all decisions being made by the LLP Board provided they align with the objectives approved by Cabinet.
 - F. The Partnership Board for the LLP will then report periodically to the Council's Shareholder Board on the overall financial performance of the LLP and on delivery against any agreed project objectives.
 - G. The minutes of the Shareholder Board are reported through Cabinet (Scrutiny Committee if called in) and Council.
- 3.19 As set out above, the primary difference between the old and new arrangements is that the new arrangements have been designed to align with the Council's Shareholder Board.
- 3.20 Whilst the Partnership Board will be empowered to make most decisions about project delivery (within agreed budgets and to agreed objectives) and to deal with some company matters, most company matters of significance are reserved to the Cabinet via the Shareholder Board and these reserved matters are set out at **Appendix 1**.
- 3.21 Settling the final details of the legal agreements and completing them is recommended to be delegated to the Executive Director Legal and Democratic Services.

3.22 The LLP arrangements also provide opportunities where capacity allows for the Council to charge its staff into the LLP and recover the costs through the capital projects. This has been used to a limited degree to date and these opportunities can be explored further during the next period. Doing this will reduce pressure on revenue budgets whilst also providing staff with the opportunity to work closely with the private sector partnership, gaining different experience while keeping the project knowledge in-house. It should also assist viability by reducing the costs of contractors into the LLP and exploiting officer contacts and knowledge of the Council's governance and processes.

The principles of the PSP Housing Model

3.23 The over-riding principles of the housing model are to enable PSP-partner authorities access to their model which will enable authorities to secure housing delivery quickly, loan in capital generating a return in excess of the borrowing cost and delivering private rented (and in some cases affordable) new housing.

3.24 Where possible PSP seek to employ modern construction methods to deliver high quality, very sustainable net zero carbon family homes which are built and then managed to a high standard under the LetLife brand (www.letlife.co.uk).

3.25 The housing model compliments the Council's existing housing delivery programme and provides another option for delivery. It also supports the Council's commercial mind-set approach through innovative means of delivering outcomes and improving lives whilst generating commercial income.

3.26 The Housing Model is not aimed at Housing Revenue Account housing so it is complimentary rather than a straight alternative. The model includes management via PSP partner PRSim which is set up to deliver the full lettings and management service including full compliance and risk management and a 24 hour helpdesk using a central management function linked to a network of local suppliers.

3.27 In legal terms, the partnership establishes two subsidiary companies:

- Prop Co 1 builds the houses
- Prop Co 2 manages the houses

3.28 In terms of the finances, the land would be put in to the LLP at nil value.

3.29 The Council has the opportunity to grant a loan Prop Co1 to cover the cost of delivery. The Council would receive interest on the loan on commercial terms over the loan term which must exceed the cost of borrowing and it has rights to the capital value of the asset.

3.30 Following construction, the asset would be leased to Prop Co 2 who would let and manage the asset. Prop Co 2 would pay all rents (less management and maintenance costs) up to Prop Co 1 and this would in turn flow through to the LLP to the Council as a dividend. The Council has the option to recycle the funds within the LLP or to draw them out.

3.31 At exit, the houses could be sold to recover the capital, or re-financed (with the Council).

- 3.32 PSP has undertaken extensive due diligence around the legal, property and tax implications to ensure compliance and efficiency.
- 3.33 Public Sector Plc would receive reimbursement of the pre-construction costs, a facilitation return (akin to a developer's profit) of 7-10% of the gross development costs excluding land and an annual asset/investment management fee of 0.5% p.a. of the investment value.
- 3.34 The benefits to the Council are that:
- The Council is using its access to capital to deliver new housing and to generate a commercial return to support other Council functions.
 - The Council can benefit from any upside arising from the development loan.
 - The model enables schemes to be policy compliant in terms of Affordable Housing (i.e. development will deliver as a minimum the level of affordable housing required by Planning Policy which is currently that proposals for 10-49 units, 20% and 50+ units, 30% - site area criteria also apply). The market often makes the case that this is not possible and delivers significantly less on viability grounds.
 - Council Tax will be received along with new homes bonus
 - The Council retains control over the development through the LLP.
 - The Council retains control over the future of the asset through the leasing structure.
 - The Council and PSP are enabling the wider economic benefits (e.g. construction jobs, investment in construction, new residents in employment, increased local spending which in turn supports further sustainable job creation.
 - The properties are not subject to loss under Right to Buy legislation.
 - The Council benefits from the additional capacity and commercial capability of PSP.
 - The Council could consider using its share of development profit to deliver above-policy affordable housing where appropriate and where viability allows.
- 3.35 The proposal is therefore to set aside £5m for the delivery of housing through the LLP and to delegate authority to the Executive Director Finance and Resources to finalise the terms and make loans to the LLP within the allocated budget to enable delivery of development in accordance with the principles of the PSP Housing Model and subject to any schemes delivering an appropriate and sustainable return on investment.

4. Other Options

- 4.1 Alternative arrangements for the Right to Buy spend such as grants to Registered Providers were considered for the Acquisitions Programme however this would not have resulted in the long term benefit to the Council in the way of HRA property.
- 4.2 The Council does not need to continue the relational partnering arrangement with PSP however this is a useful non-committal additional delivery option for the Council which will be well placed to assist with capacity and delivery,

particularly (but not exclusively) of housing sites, going forward. Feasibility work is also underway within the LLP on several other sites as previously agreed.

- 4.3 The Council could deliver housing through other delivery vehicles however PSP adds resource capacity and brings commercial experience along with the PSP housing model which together will help the council to deliver on its 2050 housing objectives whilst ensuring a robust process is in place to demonstrate financial and legal compliance and best value. The PSP Housing Model also has the benefit of the housing being owned in the LLP therefore it is not at risk of being lost to through right to buy legislation yet still providing the Council with a say over rental levels provided the State Aid thresholds are cleared.
- 4.4 The Council could decide not to fund development through the PSP Housing Model. It does however provide an opportunity for the Council to commercially lend-in to the LLP receiving a finance return as well as the wider development benefits, structured through the PSP Housing Model to deliver a long-term revenue stream (with the opportunity to convert some or all of that to Capital at the Council's discretion). Other funding options are available and may be considered depending on the scheme and the commercial return to the Council.
- 4.5 Cabinet members have also highlighted that there may be opportunities for South Essex Homes as the pipeline work progresses.

5. Reasons for Recommendations

- 5.1 To update Cabinet on the progress of the Pipeline of Housing & Development opportunities namely Phases 3 & 4 HRA infill sites, acquisition programme and LLP developments.
- 5.2 To update Cabinet on the pipeline and regeneration framework.
- 5.3 To update Cabinet on progress in establishing the LLP for the next 10 year period and to enable the new LLP arrangements to be established to provide additional delivery capacity to help the Council meet housing delivery targets

6. Corporate Implications

6.1 Contribution to the Southend 2050 Road Map

- 6.1.1 The development and acquisition of the housing and regeneration pipeline work towards the Southend 2050 Safe and Well outcomes of **“We are well on our way to ensuring that everyone has a home that meets their needs”** and **“We act as a green city with outstanding examples of energy efficient and carbon neutral buildings”**.
- 6.1.2 The development of a regeneration framework and pipeline are also key contributors to the Opportunity and Prosperity outcomes “We have a fast-evolving, re-imagined and thriving town centre, with an inviting mix of shops,

homes, culture and leisure opportunities” and “**Key regeneration schemes, such as Queensway, seafront developments and the Airport Business Park are underway and bringing prosperity and job opportunities to the Borough**”.

- 6.1.3 Southend’s *Housing, Homelessness & Rough Sleeping Strategy* aims to provide ‘decent high quality, affordable and secure homes for the people of Southend’ and the development and purchase of affordable contributes to this.

6.2 Financial Implications

- 6.2.1 Cabinet has previously agreed the budget of £645k for the next steps of the Regeneration Framework and Development Pipeline. This budget will be called upon for the first stage of the feasibility for the Pipeline sites.
- 6.2.2 The costs and funding of each scheme will require a full business case assessment. Funding for the investment referred to in the report will come from a variety of sources such as capital receipts, HRA capital investment reserve, borrowing, and external funding (both public & private).
- 6.2.3 In terms of PSP projects, the financial implications will be assessed in detail on a scheme by scheme basis and schemes will only proceed when they clear both the Council’s and the private sector partner’s viability measures.
- 6.2.4 The overall financial performance of the LLP will be reported periodically to Shareholder Board along with the progress against agreed objectives for particular schemes.
- 6.2.5 The £5m referenced at recommendation 2.5 and in paragraph 3.35 would be funded from new borrowing with the financing costs more than off-set by the commercial return from the £5m investment into the PSP Housing Model.

6.3 Legal Implications

- 6.3.1 Initial consultation has been undertaken with the Council’s Legal Team for the expansion of the MMC pilot and ongoing work is being undertaken with Essex Legal Services for the Acquisitions Programme.
- 6.3.2 Legal considerations relating to individual sites will be dealt with through the usual due diligence process.
- 6.3.3 Legal considerations relating to the LLP governance changes are being addressed through negotiation as set out in this report with appropriate advice at the relevant stages.

6.4 People Implications

No direct people implications arise however see 3.10 above regarding the extent to which internal resources may be used to supplement the LLP work and then charged back to development projects where appropriate with commercial experience benefits to the staff involved and potential financial benefits to the Council.

6.5 **Property Implications**

The main purpose of LLP is to review, and progress development opportunities and this will of course generate many strategic and detailed property implications as the work progresses. Such implications will be considered on a site by site basis.

6.6 **Consultation**

Consultation has taken place with internal colleagues and external advisers in relation to the pipeline of sites and the work is being progressed by a corporate team.

The principles of the changes to the LLP structure have been set out in reasonable detail in the Cabinet Report of 17 September 2019 and at a high level in subsequent Housing Pipeline update reports to Cabinet.

6.7 **Equalities and Diversity Implications**

The relevant equality assessments will be undertaken if and as necessary.

6.8 **Risk Assessment**

Risk register and issue logs will be used as part of the development of the sites within the Pipeline and are continued to be used for the Acquisitions Programme.

PSP Project risks will be monitored and managed within the LLP and reported to Partnership Board and where these are significant and appropriate, up to Shareholder Board.

6.9 **Value for Money**

All spend in relation to the projects will be subject to the relevant procurement rules, to ensure procurement compliance and value for money.

Financial and legal due diligence form a core part of the LLP process including an independent review and validation of each case by CIPFA and external legal review.

6.10 **Community Safety Implications**

Sites will be considered individually as they progress and through consultation, the Council will look to meet Secured by Design standards where possible and practical.

6.11 **Environmental Impact**

New pipeline schemes such as the MMC will look to improve energy use and environmental standards in the build process where possible and also will look

to improve landscaping and environmental and economic sustainability where possible.

A core part of the LLP housing offer is the use where appropriate of modular off-site construction (referred to in other papers as MMC or Modern Methods of Construction). This technology enables improvements energy use and environmental standards both through the build process and during the life of the buildings. Sustainability will be a key consideration in any projects and where it presents additional commercial opportunities, these will be explored. For example, very low energy (and therefore low cost to run) homes may be able to generate higher rental levels thereby improving returns depending on the development model used.

7. **Background Papers**

Cabinet Report, *Future Phases of Affordable Housing Development Programme Update*, 17th January 2019

Cabinet Report, *Housing Update*, 25th June 2019

Cabinet Report, *Housing and Development Pipeline Update*, 17th September 2019

Cabinet Report, *Housing and Development Pipeline Update*, 5th November 2019

Cabinet Report, *Housing and Development Pipeline Update*, 16th January 2020

8. Appendices

Appendix 1 – Matters reserved for Shareholder Board

APPENDIX 1

MATTERS RESERVED FOR SHAREHOLDER BOARD

1. Altering the Members' Agreement, Procedure Agreement and/or any rights relating to the ownership of the LLP;
2. Changes to the rights of any of the Partners pursuant to the Members' Agreement or the Partnership generally;
3. Any material amendment to a legal agreement to which the Partners are a party;
4. The approval of any Capital Contribution by a Partner, save for the Initial Capital Contributions of the Partners as at the Effective Date;
5. Permitting the registration of another member, other than the Council or the PSPF;
6. Changing the nature of the business of the LLP;
7. Any re-organisation of the Members' Capital (or any part of it);
8. The entering into of any commitment by or on behalf of the Partnership with any person with respect to the issue of any loan capital;
9. The making of any borrowings by or on behalf of the Partnership from the Bank or any person or organisation or entity;
10. The making of any resolution or other decision for the voluntary winding up or termination or dissolution of the Partnership;
11. Engaging in any business other than the Partnership Business or any decision to change the Partnership Business as defined in this Members' Agreement;
12. The Partnership forming or acquiring any subsidiary or subsidiary undertaking (as each is defined in the Companies Act) or acquiring any shares in any other company or participating in any partnership or joint venture (incorporated or not);
13. The closing down or the disposal of any material part of the Partnership Business;
14. The Partnership amalgamating or merging with any other company or business undertaking;
15. Alteration of the Partnership Name or registered office;
16. The Partnership entering into any transaction or arrangement of any nature whatsoever with any of the Partners or their directors or any person who is connected (within the meaning of section 1122 of the Corporation Tax Act 2010 or sections 993 and 994 of the Income Tax Act 2007) to any of the Partners or their directors whether or not any other person shall be party to such transaction or arrangement;
17. The Partnership entering into any commitment by way of a transaction or series of related transactions (including without limitation any leasing transaction) which would involve the Partnership in the payment or receipt of consideration having an aggregate value in excess of twenty thousand pounds (£20,000), save where such commitment has been provided for in a Project Budget;
18. The Partnership entering into any arrangement, contract or transaction outside the normal course of the Partnership Business or otherwise than on arm's length terms;

19. The Partnership giving notice of termination of any arrangements, contracts or transactions which are of a material nature in the context of the Partnership Business, or materially vary any such arrangements, contracts or transactions;
20. Any material amendments to any agreed project objectives;
21. The Partnership entering into, as lessor or as lessee, any operating lease (as defined in Statement of Standard Accounting Practice 21) other than as provided in a Project Budget;
22. The Partnership granting any rights (by licence or otherwise) in or over any intellectual property owned or used by the Partnership;
23. The Partnership creating or permitting to be created any mortgage, charge, encumbrance or other security interest whatsoever on any asset or its business in whole or in part or any of its shares other than:
 - 23.1 liens arising in the ordinary course of business; or
 - 23.2 any charge arising by the operation or purported operation of title retention clauses and in the ordinary course of business;
24. The Partnership adopting or amending the Budget or any Project Budget in any material respect (provided that non-material amendments to the Budget or Project Budget will be subject to each Partner being notified of such amendments and not raising, within five (5) Working Days, any issues in relation to such amendments);
25. Changes to either:
 - 25.1 the Auditors; or
 - 25.2 the financial year end; or
 - 25.3 the Accounting Reference Date;
26. The Partnership making or permitting to be made any material change in the accounting policies and principles adopted by the Partnership in the preparation of its audited accounts except as may be required to ensure compliance with relevant accounting standards under the Companies Acts or any other generally accepted accounting principles in the United Kingdom;
27. The Partnership retaining any Partner's Profit Share to future activities by the Partnership;
28. The Partnership making any loan (otherwise than by way of deposit with the Bank) or granting any credit (other than in the normal course of trading) or giving any guarantee (other than in the normal course of trading) or indemnity;
29. The Partnership giving any guarantee, suretyship or indemnity to secure the liability of any person or assuming the obligations of any person;
30. The Partnership either:
 - (a) opening or closing any bank account;
 - (b) altering any mandate given to the Bank relating to any matter concerning the operation of the Partnership's bank accounts other than by the substitution of any

person nominated as a signatory by the Partner entitled to make such nomination;
or

- (c) changing its bankers;
31. The Partnership:
- (a) entering into or varying any contract of employment providing for the payment of remuneration (including pension and other benefits);
 - (b) establishing or amending any profit-sharing, bonus or other incentive scheme of any nature for executives or employees;
 - (c) establishing or amending any pension scheme or granting any pension rights to any executive, employee, former executive or employee, or any member of any such person's family;
 - (d) dismissing any executive or employee;
32. The Partnership agreeing to remunerate (by payment of fees, the provision of benefits-in-kind or otherwise) any consultant to the Partnership or increase the remuneration of any such person per annum /day, in either case other than in accordance with a Project Budget;
33. The Partnership instituting, settling or compromising any legal proceedings instituted or threatened against the Partnership or submitting to arbitration or alternative dispute resolution any dispute involving the Partnership;
34. The Partnership making any agreement with any revenue or tax authorities or making any claim, disclaimer, election or consent for tax purposes in relation to the Partnership or the Partnership Business;
35. Any decision from time to time referred to the Partners pursuant to clause 3.2.7(j) of the Procedure Agreement;
36. The appointment of any validator or other independent adviser and the terms of that appointment.