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# ***Capital Gains***

- An asset liquidity model  
to increase Local  
Government investment  
capacity

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March 2011



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# ***Executive Summary***

## ***Introduction***

The public sector is under unprecedented pressure to operate more efficiently if the impact of cuts in public sector spending on front line services are to be minimised.

Local Government Yorkshire and Humber (“LGYH”), in conjunction with PwC, has considered how to get more value from capital spending and asset use by reviewing a number of case studies across the region. This study was initiated by LGYH, at the request of its membership, as a pro-active step to consider, in a practical sense, how local authorities in Yorkshire and Humber might be better able to mitigate some of the impacts that will arise from reductions to future capital budgets and generally enhance the ability of authorities to raise and control their own finances, with less dependence on National Government. Work was guided by a steering group, comprised of senior officers from the individual authorities that put forward case study propositions.

The work has highlighted the potential to secure greater capital spending impact via:

- Extracting greater value from surplus assets;
- Tackling “cultural” barriers to gaining greater value from assets and capital; and
- Changing central government constraints.

This report sets out a specific proposal for an approach to extract greater value from “surplus” local government assets in Yorkshire and Humber. Issues identified around cultural and central government barriers have also been highlighted during the course of the work, which have been highlighted in a separate issues paper.

## ***Extracting value from surplus assets***

At a time when there is less money available to fund activity this report highlights a common challenge facing local authorities, in that whilst considerable value is tied up in surplus assets, it is difficult to realise. Essentially there is a conflict between:

- Realising cash now from asset disposals, which could be reinvested or allow debt to be paid down and save future revenue servicing costs. However, we are in poor market conditions, there is limited market appetite and, if all public sector bodies did the same, the market could become flooded by surplus assets destroying further value; versus
- Holding on to assets to retain control and protect future value. This approach releases no value now and is likely to incur additional asset holding costs (e.g. security, financing), as well as political pressures around being seen to be “doing nothing” with potentially valuable resources.

The report highlights the potential of a new operating model – the Asset Liquidity Model (“ALM”) - to address the conflict set out above. The ALM proposes to extract greater value from a portfolio of assets by trading it out in a strategic manner that would mitigate many of the risks associated with a programme of traditional disposals.

The ALM has been developed using data from an actual portfolio of assets provided by a Local Authority (“LA”). Moreover, there is potential to translate the model to other public sector bodies and to geographic areas beyond those within the LGYH membership.

The ALM is essentially a strategic property partnership between the LA (or any other public body or combination of public bodies) and a private sector partner (“PSP”). The model proposes the LA(s) entering into a long term partnership - using a portfolio of assets combined with private sector equity – and, lever in European Union funding - to deliver future investment and maximise property values.

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Using an illustrative portfolio provided by one local authority, with an estimated current value of £51m, the report highlights the potential for the ALM to:

- realise up to circa £24m ( 48%) more value via the ALM (in Net Present Value (“NPV”) terms);
- recycle up to £30m of European Regional Development Funding (“ERDF”) funding;
- tackle property holding and security costs;
- provide the public sector with greater control over how surplus assets are developed and used in the future; and
- provide a (scaleable) strategic framework to manage surplus asset disposals across a place and or a range of public sector bodies.

## ***Implementation***

The analysis in this interim report sets out the potential of this approach to deliver additional value as well as a series of other benefits as highlighted above. Soft market-testing has highlighted potential interest and capacity in the market from the private sector to invest in such a partnership.

Should one or more organisation wish to establish an ALM, further pre market preparation work would be recommended, including:

1. **Viability:** this report is based on illustrative data and assumptions made in good faith. Should any public sector organisation (or group of organisations) wish to establish an ALM, a detailed asset portfolio evaluation (including taxation) would be recommended to test the commercial viability of any specific ALM proposal.
2. **Objectives:** the ALM is not a “vanilla” partnership, but should reflect the aspirations and needs of its stakeholders and clearly set out its commercial, financial and non financial objectives. These objectives will undoubtedly inform not only any proposition put to the market, but also the control and governance arrangements to be adopted. It is foreseeable that the public sector stakeholders in an ALM could increase over time and, if addressed at the outset, this could enable a “scaleable” ALM to be developed.
3. **ERDF funding:** at the time of writing, ERDF is managed by Yorkshire Forward (“YF”), but with changes ahead in the face of the closure of RDAs across the country and the Government’s intention for the management of ERDF to be migrated to the Department for Communities & Local Government (“DCLG”). It is understood that YF, in the immediate term, is considering how ERDF funding might be delivered via the JESSICA programme and, in this context, the ALM offers an approach that is consistent with JESSICA and could quickly provide a “demand side” pull on ERDF monies. It is important that dialogue continues on this during the transition of ERDF management, from YF to DCLG.
4. **Soft market-testing:** it is recommended that any ALM proposals, shaped by further work outlined above, should also be further tested with a number of potential bidders to assess market interest (and raise profile with potential bidders).

In terms of the type of organisation to undertake further preparatory work, several options present themselves. It may be the case that the local authority takes the lead role, working alongside other public sector bodies. However the creation, remit and continuing evolution of Local Enterprise Partnerships (“LEPs”) may offer a more viable route to market. In particular this is the case in areas such as the Leeds and Sheffield City Regions, which operate successfully on the basis of the economic geographies and where LEPs are now evolving as a result. The ALM, in turn, offers the public sector the opportunity to complement and build on the asset based investment previously undertaken by the RDAs and potentially provide a practical and valuable ‘investment fund’ style model for the emerging LEPs, in the face of no dedicated Central Government revenue or capital support in the way that RDAs were funded and supported previously.

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Indeed the Government's 'Local Growth White Paper'<sup>1</sup> states that LEPs could take on a diverse range of roles including working with central Government to set out priorities for infrastructure investment and leveraging private-sector funds.

Many LEPs have already identified local infrastructure projects as important for the future success of their local economies, although their potential role in bringing them about is far from clear. LEPs will continue to press and lobby for local priorities; and the Smith Institute report 'Rebalancing the economy: prospects for the North'<sup>2</sup> proposes that a dedicated infrastructure fund should be developed. But it appears clear that without the ability to directly shape, influence and finance such infrastructure, the successes of LEPs in terms of driving future economic growth may well be limited. The creation of an ALM, therefore, offers the LEP the opportunity to develop this proposition, particularly as the government's Regional Growth Fund is limited. The more limited the resources from Government, the more the LEPs will need to bring in funds from other sources.

Further detail on the ALM work and findings is set out in the rest of this report, under the following headings:

- Background
- The ALM concept
- An Illustration - ALM versus traditional disposal
- Annex – Supporting workings

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<sup>1</sup> See [www.bis.gov.uk/assets/biscore/economic-development/docs/1/cm7961-local-growth-white-paper.pdf](http://www.bis.gov.uk/assets/biscore/economic-development/docs/1/cm7961-local-growth-white-paper.pdf)

<sup>2</sup> See [www.smith-institute.org.uk/file/Rebalancing%20the%20Economy.pdf](http://www.smith-institute.org.uk/file/Rebalancing%20the%20Economy.pdf)

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# ***Background***

Given the current state of public sector finances, there is a growing need to maximise the efficient use of the public sector's estate portfolio. With traditional funding streams drying up, local authorities will need to find ways to unlock the value that is currently tied up in real estate in order to fund capital projects as well as minimising operating costs.

We have used existing asset data from a LA as a basis to provide an illustration to explore how the public sector could maximise and release value that is currently tied up in its estate in order to deliver economic growth and regeneration opportunities and facilitate new ways of working for both back office and customer facing facilities.

The main challenge is that there is less money available to fund projects and there is a liquidity issue in that money is currently tied up in non-core estate.

There are a number of ways open for local authorities to realise value from its assets depending on factors such as:

- The range, nature and scale of assets to be disposed of;
- The extent to which the property portfolio lends itself to redevelopment, change of use or similar value enhancing opportunities;
- When and how the LA wishes to realise value;
- The role and risk appetite of the LA in any future asset realisation.

This report compares piecemeal asset disposal with the strategic trading out of the same asset portfolio via the ALM.

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# ***The Asset Liquidity Model: Concept***

An LA could enter into a strategic property partnership with a PSP. This approach could allow the LA to enter into a long term partnership using assets from the public sector combined with private sector equity to deliver future investment.

This approach, which is referred to as an ALM, is designed to promote more efficient use of existing assets and longer-term strategic planning for an area.

Key features of this approach could include:

- A Special Purpose Vehicle (“SPV”) is established as a strategic partnership between a PSP and the LA (probably in the form of a limited liability partnership). Other public sector partners could however be included, either at the outset or at a later date through pre-agreed joining arrangements.
- The SPV would be funded through a series of assets, debt and equity.
- Assets could encompass any or a mix of the following:
  - Surplus properties
  - Investment properties
  - Sites for development
  - Operational assets
  - Income producing assets
- ERDF funding is used by the SPV (matched by assets, cash and PSP contributions) to provide liquidity.
- The SPV will focus on enhancing the value of the assets through financing remediation, critical infrastructure or additional land assembly, using the resources and expertise brought by the PSP (such as technical feasibility, outline planning, securing anchor tenants etc).
- The SPV may choose to directly develop directly some of the properties transferred or may engage with other developers.
- The LA could phase the introduction of assets at agreed delivery milestones.
- The SPV returns would be used to:
  - pay the running costs of the partnership;
  - repay any borrowings;
  - repay investment from the LA and the PSP;
  - distribute profits to the LA and the PSP according to their shareholdings.

Data has been provided by a LA to illustrate how an ALM might operate and to show an indicative comparison of the effectiveness of the ALM compared to traditional disposals.

# ***An illustration – the ALM versus traditional disposal***

The Annex provides details of an indicative portfolio of assets used as the basis for this illustration. Under the base case it is assumed that the LA disposes of the operational assets over a three year period as the assets become surplus to operational needs. This shows the LA receiving £54.6m over the 3 year period. Using a discount rate of 6.09%, the NPV is £50m.

## **Base case development and operational assets:**

Type of Asset	Estimated current value (£)	Value Received (£)
Development	33.3m	35.0m
Operational	17.7m	19.6m
<b>Total</b>	<b>51.0m</b>	<b>54.6m</b>

The Annex also shows the position from the portfolio of assets based on the proposed partnering ALM approach:

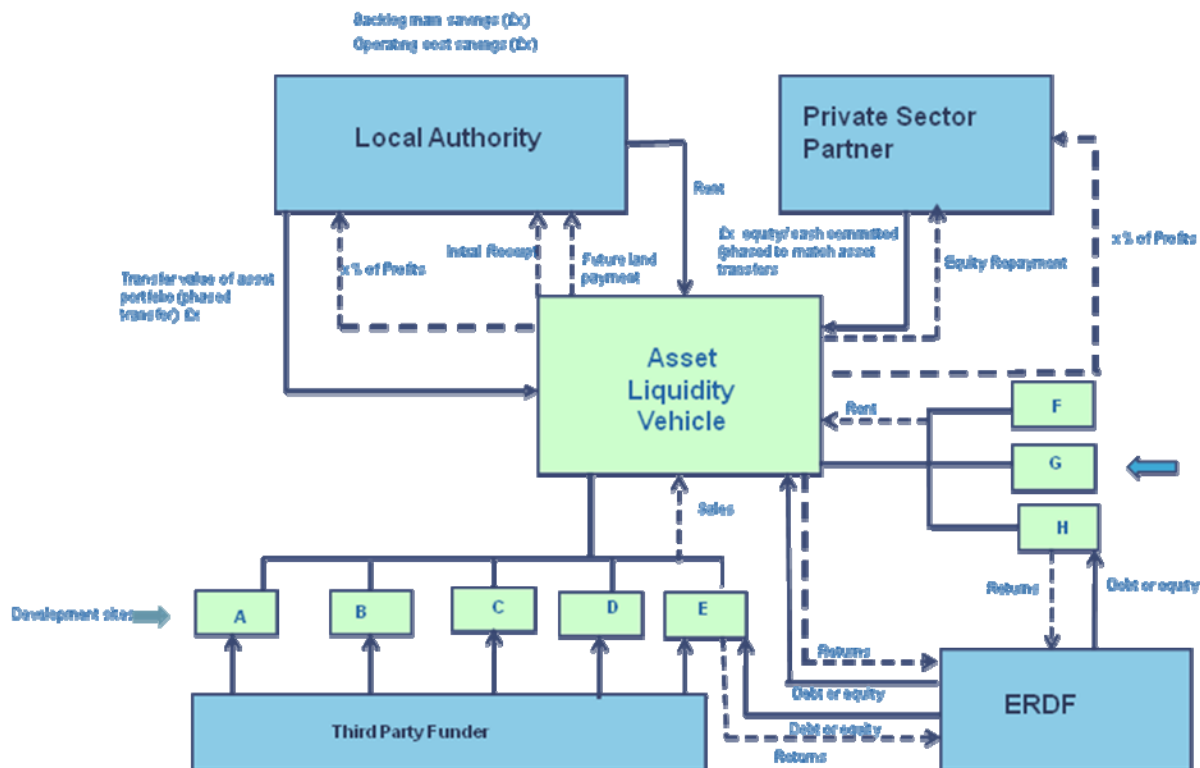
## **ALM: Development assets**

Type of Asset	Estimated current value (£)	Future Value Realised (£)	Investment (£)	Profit (£)	Development Value (£)
Development	33.3m	71.2m	201.3m	54.4m	326.9m

## **ALM: Operational assets**

Potential Uses	Estimated current value (£)	Investment (£)	Market uplift (£)	Market Value after 5 years
Operational	17.7m	5.3m	14.0m	37.0m

The diagram below illustrates how the ALM might work:



The potential financial structure of the asset liquidity model is as follows:

- The LA and the PSP form a limited liability partnership to control and manage the portfolio.
- The funding structure will consist of equity (the LA's land at Market Value and the PSP's equity input) flowing into the partnership for assignment to the relevant subsidiary LLP where it will be combined with debt finance to provide the total funding required for individual projects.
- The PSP's equity / cash will act as working capital for the SPV. Additional financing to develop the assets will be sourced from third party funders.
- The LA could realise some upfront cash by taking a reduced equity stake in the SPV. Under this arrangement, the LA would transfer its operating assets into the vehicle. The LA would receive a capital receipt reflecting a proportion of the market value of the assets, whilst retaining an equity stake in the asset. The LA may pay an occupancy charge, thus injecting an income stream into the vehicle. This type of arrangement could be attractive to funders seeking a steady income stream such as pension funds.
- The PSP and ERDF cash is used to create value in the properties by refurbishing the premises. In the future when the market recovers, these properties can be sold to third parties taking advantage of the value created through investment and uplift in the market.
- The profit generated from the development / investment activity will be split between the LA and the PSP in accordance with their shareholding.
- Under the ALM, the onus is on the PSP to make assets 'work' efficiently in order to repay the senior debt, repay equity investment and deliver a return to investors.
- ERDF investment returned to public sector (with interest).

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## ***SPV Cash flows under Asset Liquidity Model***

The Annex illustrates how the SPV generates cash over the term of the partnership. The PSP provides upfront funding to acquire assets and fund refurbishment. This funding forms the PSPs equity contribution. The LA's equity contribution is the market value of its assets invested at the time of investment. A description of how the SPV generates value for both operational assets and development assets is provided below:

### ***Operational Assets***

The LA realises some upfront cash (£8.85m) in Year 1 from investing its operational assets into the SPV, but retains an equity stake by only receiving say 50% of the current asset value (£17.7m). Cash from the PSP and a commercial lender is used to fund the transaction. Cash from the PSP and ERDF is then used to refurbish the buildings which generate an increase in the market rent. The SPV then sells the operation portfolio in year 5 for twice the current market value. The proceeds are used to return equity investment to the LA and the PSP and repay the commercial debt and ERDF loan. The remaining cash is distributed to the LA and PSP according to their respective shareholdings.

It is assumed that the LA occupies the building for the first three years and pays an annual rent of £1.3m. Following consolidation of the LA's assets, the LA vacates the buildings in year 4 and the buildings are leased to commercial occupiers at the market rate.

### ***Development Assets***

The development assets are phased over time as and when the sites are ready for development. The LA will transfer its land at market value as equity into the SPV when the site is ready for development. At this point the PSP will also commit to provide further funding. Third party commercial debt is then used in combination with ERDF cash to fund the development costs of individual projects.

As development progresses, the commercial debt and ERDF funding is repaid, followed by the equity stakes of the LA and the PSP. The remaining development profit is distributed between the PSP and the LA according to their shareholdings.

## ***LA cash flow under Asset Liquidity Model***

The LA's share of SPV cash flows generates **£121m** over the partnership term in nominal terms which equates to **£74m** in NPV terms.

### ***Comparison to base case***

Using a nominal discount rate of 6.09%, the NPV of cash flows generated as a result of the LA's participation in the Partnership is **£74m**. This compares to an NPV of **£50m**, if the LA was to sell its assets on a piecemeal basis. The ALM therefore shows generates a NPV of circa **48%** higher plus it offers the added opportunities of recycling ERDF monies and retaining greater control over the future use of surplus assets.

## ***Summary of Benefits and Issues***

Potential benefits to the LA of this type of approach could therefore include:

- Realising up to circa £24m (48%) more value from the same asset portfolio (in NPV terms);
- Establishing expertise and delivery capabilities to exploit assets invested;
- Greater control over the impact over the impact that surplus assets disposal has on "place";
- Innovative use, and recycling, of ERDF
- A portfolio approach - enabling future returns from "strong" projects to subsidise weaker development opportunities;

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- A scaleable model with the potential to introduce other public sector partners / assets in order to achieve economies of scale.
  - Opportunity to incorporate tax increment financing and/or other funding mechanisms within vehicle or via linked delivery mechanisms

Potential issues that the LA would have to consider include:

- The LA would be foregoing some short term cash in order to benefit in the long term from enhanced values arising from investment, private sector expertise and an improvement in the property market;
- The portfolio of assets needs to be of sufficient quality and mix in order to diversify risk and attract market interest.

# Annex

## Existing Portfolio – Current Values

Asset	Type	Potential Uses	Estimated current value (£)
A	Development	Hotel, Residential, retail, leisure	5.0m
B	Development	Offices, Hotel	14.0m
C	Development	Industrial units, residential	4.0m
D	Development	Residential, retail	1.3m
E	Development	Retail, residential	9.0m
<b>Total</b>			<b>33.3m</b>
F	Operational	Office	6.3m
G	Operational	Office	4.7m
H	Operational	Office	6.7m
<b>Total</b>			<b>17.7m</b>

## General Assumptions

- A nominal discount rate of 6.09% has been used to calculate NPV. The discount rate reflects the standard real HM Treasury rate of 3.5% plus an inflation rate of 2.5%.
- The table below shows the indexation assumptions for RPI and land inflation.

Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
RPI	1.025	1.051	1.077	1.104	1.131	1.160	1.189	1.218	1.249	1.280	1.312	1.345	1.379	1.413	1.448
Land Inflation	1.05	1.11	1.21	1.33	1.47	1.61	1.78	1.95	2.15	2.36	2.60	2.86	3.15	3.46	3.81

## Base Case – LA piecemeal disposal

Asset	Type	Potential Uses	Estimated current value (£)	Description	Value Received (£)
A	Development	Hotel, Residential, retail, leisure	5.0m	Sold Year 1	5.3m
B	Development	Offices, Hotel	14.0m	Sold Year 2	15.6m
C	Development	Industrial units, residential	4.0m	Sold Year 1	4.2m
D	Development	Residential, retail	1.3m	Sold Year 2	1.4m
E	Development	Retail, residential	9.0m	Sold Year 1	9.5m
<b>Total</b>			<b>33.3m</b>		<b>35.0m</b>
<b>Operational Assets</b>					
F	Operational	Office	6.3m	Sold Year 1	6.6m
G	Operational	Office	4.7m	Sold Year 2	5.2m
H	Operational	Office	6.7m	Sold Year 3	7.8m
<b>Total</b>			<b>17.7m</b>		<b>19.6m</b>

## Base Case – LA piecemeal disposal cash flow

Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	Total
Asset Receipts (£m)	25.6	22	7.8													55.6
<b>Total Council Cash (£m)</b>	<b>25.6</b>	<b>22.2</b>	<b>7.8</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>55.6</b>
NPV (£m)	£50															

## Asset Liquidity Model - Operational Assets Assumptions

Type	Potential Uses	Area (sq ft)	Annual Rental income @£15 sq ft (£'000)	Estimated Current Value	Refurb Investment	Market uplift (£)	Market Value after 5 years
Operational	Office	30,462	470	6,3m	1.9m	5.0m	13.2m
Operational	Office	23,390	350	4,7m	1.4m	3.7m	9.8m
Operational	Office	32'830	500	6,7m	2.0m	5.3m	14.0m
		<b>86,682</b>	<b>1,320</b>	<b>17.7m</b>	<b>5.3m</b>	<b>14.0m</b>	<b>37.0m</b>

- Operational assets are valued based on a 7.5% yield with and a current rent per sq ft of £15.
- Required refurbishment is 30% of the estimated current asset value

## Asset Liquidity Model - Development Assets Assumptions

Asset	Type	Potential Uses	Estimated current value (£)	Description	Future Value Realised (£)	Development Investment (£)*	Profit (£)*	Development Value (£)
A	Development	Hotel, Residential, retail, leisure	5.0m	Invested Year 3	7.3m	16.2m	4.7m	28.1m
B	Development	Offices, Hotel	14.0m	Invested Year 5	24.7m	119.9m	28.9m	173.5m
C	Development	Industrial units, residential	4.0m	Invested Year 8	9.4m	35.3m	8.9m	53.7m
D	Development	Residential, retail	1.3m	Invested Year 2	1.7m	6.3m	1.6m	9.6m
E	Development	Retail, residential	9.0m	Invested Year 11	28.1m	23.6m	10.3m	62.0m
<b>Total</b>			<b>33.3m</b>		<b>71.2m</b>	<b>201.3m</b>	<b>54.4m</b>	<b>326.9m</b>

- Development investment is indexed at RPI
- Future value realised includes market uplift (according to land inflation curve) and 20% investment from PSP for advanced works

- An estimated development profit has been calculated based on a developer margin of 20% of Gross Development Cost
- Funding of developments is geared at 60%
- Senior debt interest rate 6.0%
- Mezzanine ERDF loan interest rate 7.5%

## Asset Liquidity Model - SPV Cash flows

Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	Total
<b>Inflows</b>																
PSP Funding	6.2	1.7	7.3		24.7			9.4		28.1						77.3
Project Returns			3.3	6.0	6.0	17.9	17.9	17.9	9.2	9.2		12.8	12.8	12.8		125.6
Commercial Debt Drawdown	5.3															5.3
Rental Payment	1.3	1.3	1.3	2.5	2.5											9.0
ERDF loan on Operational assets	2.7															2.7
Sale of Operational assets to 3rd party					37.1											37.1
<b>Total Inflows</b>	<b>15.5</b>	<b>3.1</b>	<b>12.0</b>	<b>8.5</b>	<b>70.2</b>	<b>17.9</b>	<b>17.9</b>	<b>27.2</b>	<b>9.2</b>	<b>9.2</b>	<b>28.1</b>	<b>12.8</b>	<b>12.8</b>	<b>12.8</b>		<b>257.0</b>
<b>Outflows</b>																
SPV set up & running costs	-1.2	-0.2	-0.2	-0.2	-0.2	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1		-2.9
Repayment of Council Equity			-1.7	-16.1				-24.7		-9.4				-28.1		-80.0
Capital receipt to Council	-8.85															-8.9
Repayment of PSP Equity			-1.7	-7.3	-6.2			-24.7		-9.4		-28.1				-77.3
Repay ERDF loan & coupon	-0.2	-0.2	-0.2	-0.2	-2.9											-3.7
Refurb Investment	-2.7	-2.7														-5.3
Repay Commercial Debt & Interest					-7.1											-7.1
Distributions			-1.6	-22.0			-28.9		-8.9					-10.3		-71.8
<b>Total Outflows</b>	<b>-12.9</b>	<b>-3.1</b>	<b>-5.5</b>	<b>-7.7</b>	<b>-54.5</b>	<b>-0.1</b>	<b>-0.1</b>	<b>-78.3</b>	<b>-0.1</b>	<b>-27.8</b>	<b>-0.1</b>	<b>-0.1</b>	<b>-28.2</b>	<b>-38.5</b>		<b>-257.0</b>
<b>Total SPV Cashflow (£m)</b>	<b>2.6</b>	<b>0.0</b>	<b>6.5</b>	<b>0.8</b>	<b>15.7</b>	<b>17.8</b>	<b>17.8</b>	<b>-51.1</b>	<b>9.1</b>	<b>-18.6</b>	<b>28.0</b>	<b>12.7</b>	<b>-15.4</b>	<b>-25.7</b>	<b>0.0</b>	<b>0.0</b>

## Asset Liquidity Model – LA cash flow

Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	Total
Development Capital Receipts	0.0	0.0	1.7	0.0	16.1	0.0	0.0	24.7	0.0	9.4	0.0	0.0	0.0	28.1		80.0
Operating Capital Receipts	8.85															8.9
Share of distributions	0.0	0.0	0.8	0.0	11.2	0.0	0.0	14.7	0.0	4.5	0.0	0.0	0.0	5.3		36.5
Lease Payment	-1.3	-1.3	-1.3	0.0	0.0											0.0
																-3.9
<b>Total Council Cash (£m)</b>	<b>7.5</b>	<b>-1.3</b>	<b>1.3</b>	<b>0.0</b>	<b>27.3</b>	<b>0.0</b>	<b>0.0</b>	<b>39.4</b>	<b>0.0</b>	<b>13.9</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>33.3</b>	<b>0.0</b>	<b>121.4</b>
<b>NPV (£m)</b>	<b>£74</b>															

## Asset Liquidity Model - PSP cash flow

Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	Total
PSP Equity	-6.2	-1.7	-7.3	0.0	-24.7	0.0	0.0	-9.4	0.0	0.0	-28.1	0.0	0.0	0.0		-77.3
Repayment of Equity	0.0	0.0	1.7	7.3	6.2	0.0	0.0	24.7	0.0	9.4	0.0	0.0	28.1	0.0		77.3
Share of distributions	0.0	0.0	0.8	0.0	10.8	0.0	0.0	14.2	0.0	4.4	0.0	0.0	0.0	5.1		35.3
<b>Cashflow (£m)</b>	<b>-6.2</b>	<b>-1.7</b>	<b>-4.8</b>	<b>7.3</b>	<b>-7.6</b>	<b>0.0</b>	<b>0.0</b>	<b>29.5</b>	<b>0.0</b>	<b>13.8</b>	<b>-28.1</b>	<b>0.0</b>	<b>28.1</b>	<b>5.1</b>	<b>0.0</b>	<b>35.3</b>
<b>Equity IRR</b>	<b>19%</b>															

The schedule shows the PSP generates an IRR of 19% through its investment in the partnership.

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*This report has been prepared for and only for Local Government Yorkshire & Humber in accordance with our engagement letter and for no other party and/or purpose. We do not accept or assume any liability or duty of care for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.*

*In the event that, pursuant to a request which the LGYH has received under the Freedom of Information Act 2000, it is required to disclose any information contained in this draft report or any deliverable prepared by us, it will notify PwC promptly and consult with PwC prior to disclosing such information. The LGYH agrees to pay due regard to any representations which PwC may make in connection with such disclosures and the LGYH shall apply any relevant exemptions which may exist under the Act to such information.*

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