

PART 1 REPORT (WITH RESTRICTED APPENDICES)

CABINET

3 SEPTEMBER 2020

3 Rivers Developments Limited - Performance Update

Cabinet Member: Leader

Responsible Officers: Chief Executive – Stephen Walford

Reason for Report: In accordance with recent cabinet decisions to request a quarterly update from 3RDL, to provide Cabinet an update on current project performance and any key risks. In addition, the covering report provides a quick overview on the progress of the Action Plan worked up resulting from previous Cabinet decisions.

RECOMMENDATION: That Cabinet note the update report on current performance and key risks.

Relationship to Corporate Plan: 3 Rivers Developments Limited's (3Rivers) primary objective is to generate future returns in order to grow the business and to recycle monies made back to the Council to mitigate some of the cuts in Government funding.

Financial Implications: The Council has a duty to obtain value for money. All financial interactions between the Council and 3Rivers are carried out at commercially evidenced rates and subject to individual loan agreements.

Legal Implications: None to this report, however this report is prepared in accordance with the Shareholder Agreement, Company's Memorandum and Articles of Association and currently Approved Business Plan.

Risk Assessment: Detailed within the report.

Equality impact assessment: No equality issues identified for this report.

Impact on climate change: 3Rivers is a commercial organisation and where deliverable sustainable options are available they are utilised; however, as a commercial organisation it is acknowledged that where there is a significant cost differential and what the market will sustain that this plays heavily in the choices made.

1.0 Introduction

1.1 It has been some time since the Council last considered a detailed project update from its wholly owned property development company, 3 Rivers Developments Limited. Since the last update the Council has been reacting to the all-consuming efforts required to assist our residents and businesses cope with the Covid 19 pandemic, which has seen the development business enter lockdown in late March.

- 1.2 Following two external reports looking at improvements that could be made to the governance and relationship between the two entities, the council's Cabinet (and subsequently, scrutiny and audit committees) considered these and made a number of resolutions to change or improve working practices. Among others, these resolutions required the company to suspend any work on commissioning new sites until a new board of Directors was in place and a revised business plan could be submitted back to the council. As such, work post-lockdown has been focused on the existing sites only.

2.0 Company Update

- 2.1 Attached to this report is the detailed company update provided by the Directors of 3Rivers Developments Limited for Cabinet's consideration. In order to provide members and the public more insight into the company's operations this is the first update that provides an open summary of activities alongside a detailed (restricted) part 2 report from the company.
- 2.2 The full update is provided as commercially-confidential appendix A. However, in accordance with the Cabinet's desire for as much transparency as possible on commercial matters, the rest of section 2 (below) shows a brief overview of project progress and any associated issues as at the end of July, which is the last full financial month of company accounting information.

Current Projects

Threwstones, Tiverton – 3 market houses - scheme completed – one sold mid-July and other 2 properties under offer with completion dates in late August 2020.

The Orchard, Halberton – 4 semi-detached market houses and a barn conversion - the 4 semis are due to be finished at the end of August and marketing is already underway – reasonable level of interest already being shown. Planning application in for Barn. Work was suspended in late March and recommenced in mid May 2020 due to Covid19.

St Georges Court, Tiverton – 39 market flats/houses – work suspended on 25/3/20 due to Covid19 – the site is still closed as at the end of July 2020.

Rental properties

Banksia Close/Cemetery Lodge, Tiverton – all rental payments up to date

Future Schemes

An unsuccessful offer was made on a medium size site in Newton St Cyres

Bampton – planning application submitted in January 2020 for a medium sized market housing development – no further progress

Knowle Lane, Cullompton – site purchased for circa 70 properties (mix still to be determined) – no further progress per instruction

Post Hill – included within last approved Business Plan – initial works undertaken for a planning application – no further progress per instruction

Financial Overview

The company's accounts are included within 3RDL's report and were approved at a Board meeting of the company on the 20 August 2020. These are compiled by their external accountants Paul Steele Ltd. They reflect the increased work in progress of the company during 2019/20 based on the three live developments. There was no profit shown in 2019/20 as no properties were sold during that period.

Project and Company Risk Analysis

This information is provided within the company report and reflects on changing markets, land availability, changes to the prevailing economic position, etc.

3.0 Action Plan

- 3.1 Following the cabinet decisions in June and July 2020, a list of all resolutions was compiled and put into an action plan to track implementation and progress towards each of these. Since then a small officer/member group has been set up to work through all of the recommendations to ensure a swift implementation.
- 3.2 The detailed action plan is shown at appendix B (restricted) and contains details of the various contract issues and personnel matters arising from the resolutions. However, continuing on the theme of transparency, the summary of the current position is that:

Of the 33 formally-adopted resolutions; 7 are already green (completed); 18 are amber (underway); and 8 are red (not yet underway or are now being paused pending further consideration).

The majority of amber actions are work in progress and the council is being supported in the progress of these by the same firm of solicitors that oversaw the production of one of the external reports last year (ACS) in order that these can be done quickly by not being constrained by internal capacity in the legal team.

The red items relate largely to recruitment, which has been explored and is currently awaiting a final decision on how to commission this.

4.0 Conclusion

- 4.1 Section two of this report outlines the status update from the company 3RDL in compliance with the requirement to update cabinet quarterly on progress. This will be a quarterly update from now on.
- 4.2 Section three refers to the generation of an action plan and details progress made towards implementing the various resolutions made by Cabinet in consecutive reports during June and July 2020. This is to demonstrate the 'following through' on these recommendations and to provide assurance on progress.

Appendices

Appendices A-K (Restricted) – Commercial updates from 3RDL board

Appendix L (Restricted) – Action plan progress with detail

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