

**CABINET**  
**4 FEBRUARY 2021**

**3 Rivers Developments Limited – Business Plan 2021 - 2026**

**Cabinet Members:** Councillor Bob Evans – Deputy Leader and Housing & Property  
Councillor Andrew Moore – Finance

**Responsible Officers:** Chief Executive – Stephen Walford

**Reason for Report:** To provide Cabinet with a 5 year Business Plan.

**RECOMMENDATION:** That Cabinet recommends 3Rivers Development Ltd Business Plan and approves the inclusion of the associated borrowing requirement of £14.74m shown for 2021/22 in the Council's General Fund, Capital Programme and Treasury Strategy budgets. It also notes the total gross funding envelope included for 2022/23 to 2025/26 of £64.69m.

**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. Once approved, the Council will need to embed all agreed borrowing proposals in to the General Fund, Capital Programme and Treasury Strategy budgets for 2021/22.

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

**Risk Assessment:** Detailed within the report.

**Equality impact assessment:** No direct equality issues identified for this report. However, the company will continually evaluate increased renewal investments set against other financial viability and other building metrics.

**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 Attached to this report is 3 Rivers 2021 – 2026 Business Plan. Clearly 2020/21 has been a challenging year for the company. Normal company

activities were temporarily placed on hold whilst external governance and financial appraisal reviews were commissioned and considered. 3 national Covid19 lockdowns have also clearly had a negative impact on project progress/timetables, coupled with the associated supply chain problems.

- 1.2 However, collective Council recommendations approved at Cabinet on the 13 July 2020, the arrival of 2 new Cabinet ambassadors, the very recent appointment of 2 new directors and a genuine agreement of unified member support for the company, now gives rise for the opportunity for 3 Rivers to move forward and deliver an ambitious programme of development to return profit (dividends and interest) back to help alleviate the Council's constrained financial position.

## **2.0 The 2021 – 2026 Business Plan**

- 2.1 Attached to this report is the company's 5 year Business Plan. Any company Business Plan that projects in to the future, especially at the current juncture, is subject to change/revision, especially the further you move in to later years. What the Business Plan provides is a general overview of company ambitions, areas of focus, metrics it will use to judge itself by and report on, risk appetite and mitigation measures and finally an overarching budget envelope for the period.
- 2.2 This financial envelope will provide a reasonably accurate budget forecast for 2021/22 and the projects that are already committed to. Thereafter, the budget makes sound commercial estimates over the potential sums that will be required to keep the company viable and deliver the level of returns back to the Shareholder.
- 2.3 The total loan request included in the 2021 – 2026 Business Plan for 2021/22 which is spread across 6 projects is £14.74m. This will provide further funding for the ongoing projects at St Georges Court, Tiverton and The Orchard, Halberton, plus 4 new projects of varying development size and a relatively small provision for any new potential schemes, not currently being considered.
- 2.4 The future period shown in the Business Plan, 2022 – 2026 requires total funding by the Shareholder of £64.69m. This figure is the total gross borrowing requirement during the period and needs to be reviewed in conjunction with the total loan repayments made back to the Council estimated at £71.59m during the 5 year life of this plan. These overall funding requirements are shown in more detail in Appendix B.
- 2.5 Embedded within the company's Business Plan reference is made to the annual interest payments that will be made back to the Council and Members should also be aware of the recharged costs that the Council makes to the company. These relate to officer time, office accommodation, IT support, etc.

To put this in to context the table below summarises these transactions since the company's inception. For completeness, it also includes all financing costs and any loan impairments.

Financial transactions between 3Rivers and Mid Devon DC

	2017/18	2018/19	2019/20	2020/21	Total
<b>Revenue Items £k</b>					
Interest Rec'd		71.4	251.0	490.0	<b>812.4</b>
Cost of Borrowing	0	0	0	0	<b>0</b>
Dividends Paid	0	0	0	0	<b>0</b>
MDDC recharges	74.4	126.9	116.7	120.0	<b>438.0</b>
<b>Total</b>	<b>74.4</b>	<b>198.3</b>	<b>367.7</b>	<b>610.0</b>	<b>1,250.4</b>

	2017/18	2018/19	2019/20	2020/21	Total
<b>Loans £k</b>					
Advanced	750.0	1,862.9	6,998.2	838.2	<b>10,449.3</b>
Repaid			-550.0	-640.0	<b>-1,190.0</b>
<b>Loans outstanding</b>	<b>750.0</b>	<b>1,862.9</b>	<b>6,448.2</b>	<b>198.2</b>	<b>9,259.3</b>
Impairments			-790.0		<b>-790.0</b>

Notes:

- 1 2020/21 figures for interest and recharges have included an estimate for the final quarter's allocations.
- 2 The loans repaid figures relate to a VAT refund in 2019/20 and sale proceeds from the Threwstones, Tiverton development.
- 3 The impairment relates to £617k St Georges Court (estimated loss) and £173k working capital charge.

2.5.1 The above table details the direct financial benefits that accrue from the Council's investment in 3 Rivers. However, Members should also be aware that other indirect benefits are obtained. For example:

- ✓ Increased Council Tax and Business Rate receipts
- ✓ Extra New Homes Bonus revenue
- ✓ Some control over timetable and quality of development
- ✓ Some influence over affordable/social housing delivery numbers
- ✓ Regeneration potential
- ✓ Greater use of local supply chains and contractors

- 2.6 The Business Plan also specifically focuses on key areas of company activity; governance, the prevailing market, risk, success metrics, future strategy and includes a progress overview of 2020/21 and its goals for 2021/22.

### **3.0 Conclusion**

- 3.1 This Business Plan is based on a 5 year overview and forecast, which includes a number of commercially based estimates/assumptions and clearly relies heavily on the ongoing financial and corporate support of the Council. If approved, the total borrowing request for 2021/22 of £14.74m will be included in the Council's General Fund, Capital Programme and Treasury Strategy for the forthcoming financial year.

Contact for more information: Stephen Walford, Chief Executive

Circulation of the report: Leadership Team and Cabinet