

CABINET
6 JULY 2021

3 Rivers Developments Limited – Annual Report

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

Responsible Officers: Deputy Chief Executive (S151) – Andrew Jarrett

Reason for Report: To provide Cabinet an Annual Report which also includes the Company's Accounts as per the conditions of the Shareholder Agreement.

RECOMMENDATION: That Cabinet note the Company's Annual Report (which includes its annual accounts).

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: 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 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 This report is provided to the Council in compliance with the terms of the Shareholder Agreement and looks back at the Company's performance during 2020/21 and, in addition, includes its company accounts. These accounts have been produced by Paul Steele, Chartered Accountants, and have been fully consolidated into the Council's accounts as per the prevailing accounting standards.

2.0 Annual Report and Accounts

2.1 Attached to this report are the Company's Annual Report and Financial Statements for the period from 1 April 2020 to 31 March 2021.

2.2 This report also details the Company's progress and project performance for the 12 month period to 31 March 2021.

2.3 The attached Annual Report gives a detailed overview of company achievements, an update on governance improvements, discusses the impact of Covid19, updates on project progress, gives a view on future sites and summarises overall financial performance.

2.4 In addition, the appended company accounts of 3Rivers have now been produced by Paul Steele, their external accountants, for the 12 month period ending 31 March 2021. These accounts show all the expenditure and income that has been incurred/generated based on the activities of a property development company. Clearly, the first few years of trading would show an operating loss whilst the Company is established and beginning to acquire land assets and commences/delivers its first few developments.

2.5 The main highlights of the 2020/21 financial year were:

- Generated £1.95m in sales from 6 units at the Threwstones, Tiverton and The Orchard, Halberton
- Ongoing delivery of St. Georges Court, Tiverton and early planning work for sites at Bampton and Tiverton. This results in £8.7m of work in progress.
- New appointments of a Finance and Non-Executive Director with significant housing market experience.
- The Company has increased its overall borrowing by £1.7m to £10.2m.
- During 2020/21 the company has paid the Council £496k in interest on a portfolio of loans and £124k for services rendered (office accommodation, staff recharges, IT support, etc.) resulting in a total financial benefit of £620k.

3.0 Project Progress Update

3.1 In addition to the Annual Report and Accounts, the Company has also provided its usual update on individual project progress and an associated corporate risk assessment.

3.2 It has recently been agreed that this information will only be formally reported at Cabinet on a bi-monthly basis in the future due to the relatively minimal material changes in project delivery recorded on a monthly basis.

4.0 Conclusion

4.1 Undoubtedly, 2020/21 has been a challenging year for 3Rivers. The implications of Covid19 on the local/national supply chain and the associated enforced lockdowns has resulted in significant unforeseen project delays. In addition, the work required to respond to the Council's governance and financial reviews have both had a detrimental impact on the Company's overall financial position.

4.2 However, after delivering two more profitable projects in 2020/21, the recent arrival of two new senior directors, the addition of some interesting new projects and with the opportunity of more, the future appears a positive one for the Company.

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Circulation of the report: Cabinet and Leadership Team