

**CABINET  
9 AUGUST 2022**

**3 Rivers Developments Limited – Annual Report**

**Cabinet Members:** Councillor Bob Deed – Leader  
Councillor Andrew Moore – 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 their 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 company performance during 2021/22 and in addition includes their company accounts. These accounts have been produced by Paul Steele – Chartered Accountants and have been fully consolidated in to 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 2021 to 31 March 2022.

2.2 This report also details the Company's progress and project performance for the 12 month period to 31 March 2022.

2.3 The attached Annual Report gives a detailed overview of company challenges and achievements, an update on governance matters, 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 2022. These accounts show all the expenditure and income that has been incurred / generated based on the activities of a property development company. Clearly, the early years of trading are likely to show an operating loss whilst the Company is established and beginning to secure land assets and then moves forward to acquire a regular/sizable pipeline of developments.

2.5 The main highlights of the 2021/22 financial year were:

- Generated £0.676m in sales from units at The Orchard, Halberton
- Ongoing delivery of St. Georges Court, Tiverton and took over direct management with effect from 1 April 2021
- Commence start on site on Bampton project August 2021
- Repaid the Council 1.064m of capital borrowing relating to the Threwstones, Tiverton and Orchard, Halberton sites.
- The company has increased its overall borrowing by £3.4m to £13.5m
- During 2021/22 the company paid the Council interest of £0.638m

2.6 In addition to the above the company has recently recruited a new Finance Director and has appointed Simpkins Edwards LLP as their external auditors.

## **3.0 Project Progress Update**

3.1 In addition to the Annual Report and Accounts the company continues to provide its usual update on individual project progress and an associated corporate risk assessment. To move this reporting process on to a more

business as usual methodology these reports are now included in the regular budget monitoring reports that go to Cabinet.

- 3.2 The remaining fall out from Covid19, other international impacts and now the cost of living pressures is all having a negative impact on potential business profitability. But careful purchasing and established contract arrangements and oversight is ensuring that any additional cost pressures are minimised.

#### **4.0 Conclusion**

- 4.1 During 2021/22 the company was informed that the Council could not support outside of District development due to changes to Treasury arrangements in allowing access to the Public Works Loan Board. This has resulted in a re-appraisal of development/projects included in the company's 2022/23 Business Plan.
- 4.2 How the company is planning to respond to this issue will be subject of a report to the next meeting of the Cabinet.
- 4.3 The company has recently appointed a land buyer in order to help maximise its pipeline of deliverable sites/projects within the Council's boundary and this is currently identifying a number of potential profitable opportunities.

Contact for more information: Andrew Jarrett, Deputy Chief Executive (S151)

Circulation of the report: Leadership Team and Cabinet