

SCRUTINY / AUDIT COMMITTEE 21 AND 22 NOVEMBER 2022

3 Rivers Developments Limited – Business Plan 2023 - 2028

Cabinet Members: Councillor Bob Deed – Leader
Councillor Andrew Moore – Finance

Responsible Officers: Deputy Chief Executive – Andrew Jarrett

Reason for Report: To review the Business Plan and provide Cabinet with any feedback/comments to assist their decision making process.

RECOMMENDATION: That the Scrutiny and Audit Committee feedback any comments in order for the Cabinet to include them in their deliberations.

Relationship to Corporate Plan: 3 Rivers Developments Limited's (3Rivers) key aims are to: increase the level and quality of housing units within the District and look to help regenerate sites/areas in need of assistance, 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 2022/23.

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 to what the market will sustain that this plays heavily in the choices made.

1.0 Introduction

1.1 As part of the recommendations approved during the review of 3Rivers governance and financial arrangements it was proposed that an element of prior review was undertaken by other Committee(s) in order to assist/complement the decision making of the Cabinet.

2.0 The 2023 – 2028 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 2023/24 and the projects that they 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 a level of returns back to the Shareholder.
- 2.3 The total loan request for 2023/24 is circa £20.1m and the maximum loan exposure during the 2024-28 period is circa £20.9m. This funding envelope will see the culmination of St Georges Court, Tiverton and another site in Bampton, plus a number of new sites currently under consideration and then an estimate for potential new developments that are being explored. In addition there is the ongoing provision for the company’s working capital requirements.
- 2.4 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	2021/22	2022/23 Actuals as at 31/10/22	Total
Revenue Items £k						
Interest Rec'd	71.4	251.0	496.4	558.4	451.9	1,829.1
MDDC Cost of Borrowing	0	0	0	0	0	0
Dividends Paid	0	0	0	0	0	0
MDDC Recharges	170.2	97.2	103.8	15.6	0.5	387.3
Total	241.6	348.2	600.2	574.0	452.4	2,216.4

	2017/18 2018/19	2019/20	2020/21	2021/22	2022/23 Actuals as at 31/10/22	Total
Loans £k						
Advanced	2,612.9	6,998.2	1,741.7	4,581.4	3,767.4	19,701.6
Repaid		-550.0	-640.0	-1,208.7	0	-2,398.7
Loan Movement	2,612.9	6,448.2	1,101.7	3,372.7	3,767.4	17,302.9
Impairments		-790.0				-790.0

Notes:

1 The loans repaid figures relate to a VAT refund in 2019/20 and sale proceeds from the Threwstones, Tiverton and The Orchard, Halberton developments.

2 The impairment relates to £617k St Georges Court (estimated loss) and £173k working capital charge. This figure was reviewed and carried forward in to the 2020/21 end of year Accounts. The 2021/22 level will be reviewed as part of the External Audit process – which is still ongoing.

2.5 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; ongoing governance, the prevailing market, risk, success metrics, future strategy and includes a progress overview of 2022/23 and its goals for 2023/24.

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 during the life of this plan will not exceed a net loan portfolio of £20.9m between 2023/24 and 2027/28. The 2023/24 loan request of £20.1m, if approved, will be included in the Council's General Fund, Capital Programme and Treasury Strategy for the forthcoming financial year.

3.2 Provision of the loan repayments from the company, estimated for the same period, will also be included within the above mentioned budgets.

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

Circulation of the report: Leadership Team and Cabinet