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Rory Ringer – Democratic Services Manager
General Enquiries: Telephone No. 01362 656870
DX743950 Dereham 2

To The Chairman and Members of the Cabinet
All other Members of the Council – for information

Contact: Teresa Smith
Direct Dial: 01362 656295
E-mail: teresa.smith@breckland.gov.uk
Date 31 January 2017

Agenda Supplement (1)

Dear Sir/Madam,

CABINET - TUESDAY 7 FEBRUARY 2017

I refer to the agenda for the above-mentioned meeting and enclose the following item:

Item No	Report Title	Page Nos
3.	<u>Urgent Business</u> To note whether the Chairman proposes to accept any item as urgent business, pursuant to Section 100(B)(4)(b) of the Local Government Act 1972.	
a)	Breckland Bridge Ltd Business Plan Report of Executive Member Growth and Commercialisation, Phil Cowen	113 - 121

Yours faithfully

Teresa Smith

Democratic Services Team Leader

BRECKLAND DISTRICT COUNCIL

Report of: Phil Cowen, Executive Member for Growth and Commercialisation

To: Breckland Bridge Ltd Joint Venture
Monitoring Board 25 January 2017
Cabinet 07 February 2017
Council 23 February 2017

(Author: Ralph Burton, Strategic Property Manager)

Subject: Breckland Bridge Ltd Business Plan

Purpose: To understand the recent success of the partnership, approve the updated Breckland Bridge Ltd Business Plan and include within it additional activity.

Recommendations:

Cabinet recommends to Council:

1. To approve the updated Breckland Bridge Ltd Business Plan for 2017-2022 as set out in appendices A to D.
2. To agree the Bridge recommendation to initiate a project to create a Thetford Town Asset Plan and in doing so:
 - a) Provide up to £130,000 (spread over three years).
 - b) Delegate the release of the funds to the S.151 Officer subject to receiving satisfactory information on the project plan, delivery plan and expected outputs.
3. To agree in principle the Bridge recommendation to deliver a programme of minor development schemes in a 50/50 arrangement by:
 - a) Providing £82,500 as an initial equity share in the required subsidiary for the first three sites and £10,000 for legal and tax advice.
 - b) Agreeing the first three sites as Rougholme Close (Gressenhall), Glebe Road (Thetford) and Tottington Road (Thompson).
Subject to:
 - c) Legal advice confirming such an arrangement can be undertaken and if so delegate the release of the funds to the S.151 Officer subject to satisfactory receipt of the necessary tax advice and satisfactory returns from the first three sites.

1.0 BACKGROUND

1.1 **Background:** Breckland Council became one of two shareholders in Breckland Bridge Ltd ('Bridge') in April 2015 forming a partnership with Land Group LLP for the delivery of property development schemes on Council-owned property assets. Coinciding with the end of the second operational year of the partnership (March 2017), Breckland Bridge Ltd has (as per the requirement of the shareholder agreement which underpins the governance of the partnership) presented its annual

update to the Business Plan which now covers the future five year period of 2017 to 2022. This needs approval by both shareholders. The approval of the Business Plan should include whether the Council wishes Bridge to undertake additional development activity as outlined in the report.

- 1.2 **Success:** This new and highly innovative partnership has now successfully delivered on time and budget the significant Riverside scheme in Thetford thus regenerating part of the town centre. At the same time Bridge also started construction of the 11 house (including four affordable units) scheme in Mileham on Council-owned land which is nearing completion with over half of the houses now under offer. Within the next month Bridge will be submitting planning permission for 9 houses on further land owned by the Council in Attleborough, which will be the third core project within the current Business Plan. Bridge has also provided strategic asset management advice and expertise to the Council which has included provision of two annual strategic site reviews, submitting sites for development allocation in the emerging Local Plan and the completion of a car parking usage survey amongst other integrated activities.
- 1.3 **Future Direction:** This submission of the updated Business Plan has in part highlighted the need to consider the future direction, scope and focus of the partnership because it is now two years into the first five year period and development activity is slowing down – by the end of this year the partnership will only be actively delivering the Attleborough housing scheme having completed the first two projects. This, combined with changes in central government policy around funding local authorities, housing and planning has prompted a requirement to consider utilising the partnership for increased activity and potentially changing the vision to a stronger commercial approach.
- 1.4 This review of the future direction, scope and focus of the partnership is being progressed by senior Officers and Members and has already started via a meeting between the Council's Leader, Deputy Leader and the Land Group directors. This is being further progressed by more detailed activity and discussions in February and March. The outcome of those discussions will be reported back to Cabinet by September 2017.
- 1.5 **Additional Activity:** In its 2016 Strategic Site Review, Bridge made recommendation's regarding activity to help support a pipeline of development projects for the future. The outstanding recommendations from that Review which the Council needs to decide upon are as follows:
 - (1) Following completion of the detailed car park usage study in 2016 Bridge has recommended advancing a co-ordinated development plan and delivery agenda (Town Asset Plan) for the Council's central town sites, starting with Thetford initially, given the requirement to parallel this project with the existing County Council traffic project. Alongside this and relevant but separate to the activity that Bridge would deliver, is a recommendation regarding a change to the management of the Council's car parking assets. This will be the subject of a separate item which will be presented to the relevant committee within the next three to six months.
 - (2) Creation of a wholly owned development subsidiary company to take forward delivery of the smaller development sites (up to 5 houses) on a 50/50 financial

arrangement all subject to planning and the governance arrangements of the existing partnership.

- 1.6 **Updated Business Plan:** The Business Plan contains the original three authorised projects which the company is set to deliver plus additional activity that was authorised at the last Business Plan update. It will then also include the further activity if approved in this report. Therefore in terms of activity the Business Plan is flexible enough to be able to include the additional activity in this report. The financial forecasts have changed and been updated.
- 1.7 The Business Plan sets out the income and expenditure of the approved activity of the company and the policies that it will follow implementing the same. It does not provide management information as to how the company has performed over the past year or comparisons with previous versions or any commentary of issues that may have arisen that have required a change in policy. In light of the need to review the future of the partnership and the current outstanding requirement to respond to recommendations made by Bridge, its Risk Log in the Business Plan has one increased risk about the Council's support for the partnership's principles as described in Appendix D.
- 1.8 The following appendices provide information and an analysis of the updated Business Plan to support the recommendations in this report. The full Business Plan can be made available on request for review within the office.

Appendix A	Business Plan Activity
Appendix B	Financial Information & Budget
Appendix C	Risk Log
Appendix D	Risk Review

- 1.9 **Governance and Performance Monitoring:** For the Council, the performance of the partnership is managed by the Council's three nominated directors who meet with the other directors nominated by the other shareholder (Land Group LLP) on a quarterly basis. The Council appointed directors then report to the Breckland Bridge Ltd Joint Venture Monitoring Board. This board has met quarterly to oversee and monitor delivery of the objectives of Breckland Bridge Ltd in a formal approach. As per section 1.3-1.4 the future scope of the partnership is likely to require this board to adapt its terms of reference as it is likely to require a more informal style of monitoring to ensure the partnership's strategic direction remains in-line with the Council's requirements.

2.0 OPTIONS

2.1 Option 1

1. To approve the updated Breckland Bridge Ltd Business Plan for 2017-2022 as set out in appendices A to D.
2. To agree the Bridge recommendation to initiate a project to create a Thetford Town Asset Plan and in doing so:
 - a) Provide up to £130,000 (spread over three years).

- b) Delegate the release of the funds to the S.151 Officer subject to receiving satisfactory information on the project plan, delivery plan and expected outputs.
3. To agree in principle the Bridge recommendation to deliver a programme of minor development schemes in a 50/50 arrangement by:
- a) Providing £82,500 as an initial equity share in the required subsidiary for the first three sites and £10,000 for legal and tax advice.
 - b) Agreeing the first three sites as Rougholme Close (Gressenhall), Glebe Road (Thetford) and Tottington Road (Thompson).
- Subject to:
- c) Legal advice confirming such an arrangement can be undertaken and if so delegate the release of the funds to the S.151 Officer subject to satisfactory receipt of the necessary tax advice and satisfactory returns from the first three sites.

2.2 Option 2

Cabinet does not recommend to Council to approve the updated Breckland Bridge Ltd initial Business Plan for 2017-2022 as set out in appendices A to D.

Clause 26 of the Shareholders Agreement sets out the implications if the Council does not approve the updated Business Plan. In summary, in this situation the draft Business Plan is referred back to the Directors of the company with feedback to enable the company to provide a further draft. Whilst this is occurring the latest approved Business Plan continues to be effective. If any further draft is not agreed by the shareholders then the Chief Executives/Managing Directors of each of the shareholders shall seek to resolve the matter. If they are still unable to resolve the matter a deadlock is deemed to have arisen which has serious implications for the partnership where a shareholder can call for the transfer of the other shareholders shares.

Cabinet does not recommend to Council the initiation of a project to create a Thetford Town Plan

Cabinet does not recommend to Council the recommendation to deliver a programme of minor development schemes.

3.0 REASONS FOR RECOMMENDATIONS

- 3.1 Overall performance of activity is good. The Riverside project is now complete having started in 2015 and reaching completion in October 2015. Breckland Bridge Ltd successfully delivered this scheme on time and as per the authorised budget. The second project, Mileham is nearing construction completion and house sales are progressing well. The third project in Attleborough has been delayed due to the relocation of the adjacent school that use the Council's land for recreation – but is still planned to be delivered within the first five year period of the partnership. All project activity is due to complete by 2019 and therefore within the first 5 year period of the partnership as planned.
- 3.2 Subject to the risks identified which continue to be monitored the overall return to the Council is still positive in terms of regeneration and financial outturn.

3.4 The intention of the partnership is to extend it beyond the initial Business Plan period and the updated Business Plan presented for approval is building the platform for that extension by continuing to prepare sites (where approved) for a development pipeline. Therefore there is still potential for more delivery and growth in the future. This opportunity is not reflected in the updated Business Plan because outputs are limited to the three projects currently.

4.0 EXPECTED BENEFITS

4.1 The Council is obtaining development and delivery capacity and expertise and skills to deliver complex projects on time and budget in the context of current low land values in the district and at the same time intending to generate a financial surplus.

4.2 The further benefits from approving the updated Business Plan are:

- The construction completion of 11 houses at Mileham.
- 9 houses are planned for delivery at Chapel Road, Attleborough.
- Creates positive financial return for the Council in the Business Plan period.
- Creates the capacity to deliver construction schemes.
- Provides the skills and experience to deliver construction schemes and review assets.
- Obtains additional activity to prepare sites to support a longer term strategy (pipeline) of development activity should the partnership be extended to facilitate growth and future value creation.
- Gains regeneration outputs and economic benefits from housing and commercial schemes.

5.0 IMPLICATIONS

5.1 Carbon Footprint/Environmental Issues

5.1.1 These have been considered and in the opinion of the author there are no direct implications as a result of the report.

5.2 Constitution & Legal

5.2.1 The Council as the shareholder is the entity that is responsible in the Shareholders Agreement to approve the Business Plans of Breckland Bridge Ltd and is therefore under a legal obligation to undertake the decision to approve the Business Plan as presented via this report. This decision is a Cabinet resolution to Council.

5.2.2 The Council recommendation in March 2015 (when the authority was provided to set up the Breckland Bridge partnership) was to 'reserve the authorisation of the annual Business Plan for Full Council'.

5.3 Contracts

5.3.1 The Shareholders Agreement is in existence which binds the Council legally into the partnership. There are no proposed changes to that contractual agreement being proposed.

5.3.2 Additional subsidiary legal contracts will be entered into as per the recommendations in the Council report in March 2015 concerning the creation of the Breckland Bridge Ltd partnership.

5.4 Corporate Priorities

5.4.1 This approach underpins the following corporate priorities:
'Supporting Breckland to develop and thrive'
'Providing the right services, in the right way, at the right time'
'Developing the local economy to be vibrant with continued growth'

5.5 Crime and Disorder

5.5.1 In the opinion of the report author having considered the issue of crime and disorder there are no implications.

5.6 Equality and Diversity/Human rights

5.6.1 In the opinion of the report author having considered the issue of equality and diversity / human rights, there are no implications pursuant to the Council's duties under section 149 of the Equality Act 2010.

5.7 Financial

5.7.1 Financial returns from the Business Plan are not fixed and are affected by individual project costs and the income from sale of the end developments. In addition, the Business Plan returns are impacted by any additional activity approved and corporate costs. At the time of writing this report no additional activity is authorised as a result of the 2016 Strategic Site Review and Appendix B provides more detail on the financial information and budget excluding Recommendation 2 and 3. The proforma B provides the implications of funding the additional activity as outlined in this report (Recommendations 2 & 3).

5.8 Health & Wellbeing

5.8.1 In the opinion of the report author having considered the issue of health and wellbeing there are no implications.

5.9 Risk Management

5.9.1 Please see Appendix C and D.

5.10 Staffing

5.10.1 At this stage there are no implications for staffing other than the one staff member who is the Officer Director on behalf of the Council.

5.11 Stakeholders / Consultation / Timescales

5.11.1 Consultation via the Breckland Bridge Ltd Joint Venture Monitoring Board. All planning applications will be subject to the usual separate consultation procedures.

6.0 WARDS/COMMUNITIES AFFECTED

All

7.0 ACRONYMS

LABV – Local Asset Backed Vehicle

LLP – Limited Liability Partnership

Background papers:

None

Lead Contact Officer

Name and Post: Ralph Burton, Strategic Property Manager

Telephone Number: 01362 656327

Email: ralph.burton@breckland.gov.uk

Director / Officer who will be attending the Meeting

Name and Post: Ralph Burton, Strategic Property Manager

Key Decision: No

Exempt Decision: No

This report refers to a Discretionary Service

Appendices attached to this report:

Appendix A	Business Plan Activity
Appendix B	Financial Information & Budget
Appendix C	Risk Log
Appendix D	Risk Review

BRECKLAND COUNCIL FINANCIAL COMMENTS & APPRAISAL

THIS DOCUMENT PROVIDES THE FINANCIAL IMPLICATIONS
IN RESPECT OF THE ATTACHED REPORT

FROM: Margaret Bailey (Senior Accountant)
REPORT: Breckland Bridge Ltd Business plan
REPORT DATE: 30/01/2017

	£ Year 1 2016-17	£ Year 2 2017-18	£ Year 3 2018-19	£ Year 4 2019-20
Revenue				
Income				
N/A	(-)	(-)	(-)	(-)
Costs				
Strategic Plan Thetford Town centre				
307 **** ** Land Group fees		10,000	10,000	10,000
307 **** ** Third Party fees		34,000	33,000	33,000
New Subsidiary Breckland Bridge				
307 **** ** ****	10,000			82,500
Total Revenue	10,000	44,000	43,000	125,500
Capital				
Income				
Not certain therefore not included	(-)	(-)	(-)	(-)
Costs				
N/A	-	-	-	-
Total Capital	-	-	-	-
Considered By:	Council			
Date:	23/02/2017			

Financial Services Comments

This report requests release of £222,500 revenue funding.

Funding for recommendation 2 is to enable Breckland Bridge Ltd to prepare a strategic plan for Thetford. The funding is to pay an annual fee to Breckland Bridge Ltd (Land group) of £10,000 and £100,000 in respect of third party fees. The table above suggests funding will all be released over a three year period. Release of funding is subject to receiving a project plan with clear milestones and the release is subject to sign off by the S151.

If funding is approved, it should also be subject to the project plan being clear on the success criteria that will trigger any release of funding in order to manage spend and allow consideration of findings at each stage. The Council has funded previous Town Centre studies/master planning documents. This work will lead to further investment requirements which should be reviewed at each trigger point in order to manage expectations and to ensure that the outcome of this work leads to a tangible outcome rather than a report. Breckland Bridge Ltd is obliged to demonstrate value for money with its suppliers as set out in the Development Services Management Agreement (DSMA) (para 4.2.1 and 3.4). This is subject to market testing every three years.

Because the outcome is not clear, this request does not meet Investment or Growth fund criteria. However, **there is £1.212m available within the Organisation Development reserve which could be used to fund this project**

Funding for recommendation 3 is to enable an additional subsidiary to be set up on a 50/50 basis to manage three small sites. Working Capital of £82,500 is requested subject to an assessment by Breckland Bridge Ltd of potential surpluses (having taken tax advice). It is not clear whether a 50/50 arrangement can be undertaken before the Council has extended its partnership with Breckland Bridge

This appraisal is valid for 1 month from issue date

If there are changes to the original report it may invalidate this document & must be reviewed by Finance.

31/01/2017

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Ltd which is currently due to take place in 2019/20. Whilst there is a potential for an investment surplus, at this stage the returns are not clear and are too far in the future to rely on. In addition the company set up indicates surpluses of £300,000 are to be retained by the company before returns are distributed. Whilst there is a requirement for Breckland Bridge Ltd to take tax advice on moving to a 50/50 arrangement, it would be prudent for the Council to take it's own legal and tax advice and a sum of £10,000 has been included for 2017/18.

Release of the £82,500 funding is therefore subject to Legal advice confirming such an arrangement can be undertaken and if so release of the funds to be by the S.151 Officer subject to satisfactory receipt of the necessary tax advice and satisfactory business case for the first three sites.

Again, the organisational development reserve could be used which after taking account of the £130,000 above, would then leave a balance of £989k available for other initiatives.

Risk

Recommendaton 2

If the success criteria for release of funding are not clear, the outcome may not be as expected or required and the full financial and other implications will not be known until the end of the process and may be unmanageable resulting in abortive costs.

Recommendation 3

Release of £82,500 funding is managed because it is dependent on legal advice regarding whether a 50/50 arrangement is possible pre extension of the partnership. The risk is, funding is earmarked pending the extension in 2019/20 which prohibits other initiatives that require funding in the meantime. Also tax advice may mean the arrangement is not cost effective. £10,000 neds to be spent but may not lead to a new profitable arrangement ie it is spent at risk

This appraisal is valid for 1 month from issue date If there are changes to the original report it may invalidate this document & must be reviewed by Finance.		
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