

BRECKLAND DISTRICT COUNCIL

Report of: Paul Hewett, Executive Member for Property, Projects & Procurement

To: Cabinet – 3rd July 2023

Author: Laurie Betts, Land & Development Manager

Subject: Breckland Bridge Ltd Business Plan Update

Purpose: Approve the updated Breckland Bridge Ltd Business Plan

Recommendations:

Cabinet recommends to Council to approve the updated Breckland Bridge Ltd business plan for 2023 - 2028.

1.0 BACKGROUND

- 1.1 Breckland Council is one of two shareholders in Breckland Bridge Ltd (Breckland Bridge) having formed a joint venture with Land Group LLP in 2015. The joint venture is a partnership where no party exerts overall or individual control. The purpose of the joint venture is to deliver property development schemes using Council-owned property assets. The shareholder agreement which underpins the joint venture requires the business plan of the company to be approved by the shareholders annually. The purpose of this report is to obtain approval to the latest business plan update which now covers the future five-year period of 2023 to 2028.
- 1.2 This joint venture has previously successfully delivered on time and budget, the construction of the Riverside scheme in Thetford, the design, construction and sale of 14 new residential units in Mileham and 10 new residential units in Attleborough. Due to market demand and prudent financial planning the Attleborough and Mileham residential schemes exceeded the approved forecasted returns.
- 1.3 The business plan contains the schemes which will be the focus of activity for the joint venture during the next five year period. Since the last update of the business plan, there has been no change to the schemes that are in scope for delivery. The joint venture is currently in the process of delivering a scheme in Colkirk as part of the previously approved business plan which will see the construction of 21 residential units.
- 1.4 The main change to the business plan as presented is the programme of activity which has been extended due to changes and fluctuations in the construction market around costs and these changes not matching sales values. There has also been delays to highway approvals and consideration of nutrient neutrality. These are not specific to Breckland Bridge and are captured as part of an ongoing risk assessment.
- 1.5 The development programme is kept under regular review by the company directors and any opportunities to accelerate are considered. This will depend on market conditions and is always subject to the company's overall development and financial

risk. The shareholders reflect this also in their own risk profile for their involvement in the joint venture also.

1.6 The proposed business plan activity is as follows:

- **Colkirk scheme:** 21 residential units over two phases started in November 2022 with construction due to finish July 2024 and sales completions by January 2025.
- **Litcham scheme:** 16 residential units with outline planning consent. The reserved matters planning application is pending approval. Subject to that approval construction will commence later in 2023.
- **Banham scheme:** 47 residential units via a land assembly promotion agreement with adjacent landowner. A detailed planning application is pending approval.
- **Shipdham scheme:** 36 residential units to be delivered in three phases and a new access scheme. Preparation of the reserved matters planning application has recently started following. The construction of the access scheme has recently completed using central government grant funding.
- **Kenninghall scheme:** 15 residential units which may increase to 35 via a land promotion agreement that is currently under negotiation. The agreement would see additional land being consolidated to create the additional units.
- **Small sites:** An ongoing workstream of activity to review the smaller land sites. The review of sites is undertaken after the Council has determined their suitability for the joint venture to consider. The outcomes of this workstream could include retaining sites for community benefit, community asset transfers and disposals. To date 28 sites have been reviewed.

1.7 Appendix A is the main business plan document. Appendix B contains the Property Assets that are available to the Breckland Bridge joint venture. There are further appendices to the main business plan which can be made available on request for review.

1.8 The performance of the partnership continues to be managed by the Council's three nominated directors who are currently, Cllr Philip Cowen (Executive Member for Finance), Mr Jason Cole (Executive Director), and Mr Stuart Bizley (Surveyor and Independent Director) who meet with the other directors nominated by the other shareholder (Land Group LLP) on a quarterly basis.

2.0 OPTIONS

2.1 **Option 1:** Cabinet recommends to Council to approve the updated Breckland Bridge Ltd business plan for 2023-2028.

2.2 **Option 2:** Cabinet does not recommend to Council to approve the updated Breckland Bridge Ltd business plan for 2023-2028.

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 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.

3.0 REASONS FOR RECOMMENDATIONS

3.1 The main reasons for approving the business plan are as follows:

- Overall performance of the partnership is good with three successfully delivered projects, further activity to churn the small sites and wider property development support and advice received from the partnership.
- The next business plan is viable, based on the assumptions upon which it has been modelled and providing the risks are managed and the controls embedded within the legal documentation are adhered to.
- There are added benefits to being in the partnership and the business plan is delivery focused. This does not lose the flexibility of receiving services from the partnership as required and the ability to access additional property development expertise and skills efficiently.
- 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.

4.0 EXPECTED BENEFITS

4.1 The benefits from approving the updated business plan are:

- The continuation of bringing the Council's surplus land assets into a more valuable use creating enhanced returns to support the Council's corporate plan.
- There is the potential to gain value from the Council's assets to continue to generate cash returns through interest received on construction loans at market rates. However, the Council will need to continue to commit significant temporary cash to the partnership on a rolling basis over the life of this arrangement to fund schemes on a loan basis which will then not be available for other opportunities should they arise.
- It creates the capacity to deliver construction schemes and new homes on Council-owned land.
- It provides the skills and experience to deliver construction schemes and review assets.
- It continues to gain regeneration outputs and economic benefits from housing and commercial schemes.

5.0 IMPLICATIONS

5.1 Constitution & Legal

5.1.1 The Council as the shareholder is the entity that is responsible in the Shareholders Agreement to approve the business plans of Breckland Bridge 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.

- 5.1.2 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'.

5.2 Contracts

- 5.2.1 The Shareholders Agreement binds the Council legally into the partnership. There are no proposed changes to that contractual agreement being proposed.

5.3 Corporate Priorities

- 5.3.1 This approach underpins the following corporate priorities:

- Thriving Places
- Working Smarter

5.4 Financial

- 5.4.1 Financial returns from the business plan are not fixed and are affected by individual project costs and the income from sales at the end of the developments. In addition, the business plan returns are impacted by any additional activity approved and corporate costs. The current performance forecast for the company is currently requiring support from the shareholders.

5.5 Risk Management

- 5.5.1 The key risks are the monitoring of income and expenditure of the partnership as it undertakes the development schemes. Financial returns are affected if risks occur outside of the forecast range. Property development as an activity has a range of risks including:

- Construction costs increase.
- Sales income decreases.
- Interest rates rise.
- Ability to achieve change of use planning permission.
- Delays.
- One or both partners have insufficient cash to support the programme of works.
- Partnership or contractual disagreements.

- 5.5.2 The key controls in place to manage risks are:

- Projects can be delivered in phases.
- There is a two-stage project approval process before a project is started so there are checkpoints to confirm risks and financial exposure.
- Land is valued independently before being sold and transferred to the joint venture company.
- The company tender's construction contracts.
- There is a refresh of the business plan annually to review progress and outturn.

- Each partner appoints Directors and there are quarterly company board meetings to review performance.
- If the joint venture must pause activity for any reason, there are standstill overhead costs for the company and its subsidiaries – the costs of which would be shared 50/50 with the joint venture partner, Land Group.
- Disputes are managed through the legal documentation.
- Break clauses exist at the 10th (2025) and 15th (2030) anniversary.

5.6 Staffing

5.6.1 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.

5.7 Stakeholders / Consultation / Timescales

5.7.1 All planning applications for individual projects will be subject to the usual separate consultation procedures.

6.0 WARDS/COMMUNITIES AFFECTED

6.1 All

7.0 ACRONYMS

LLP – Limited Liability Partnership

Background papers:

None

Lead Contact Officer

Name and Post: Laurie Betts, Land & Development Manager
 Telephone Number: 0779051525
 Email: laurie.betts@breckland.gov.uk

Director / Officer who will be attending the Meeting

Name and Post: Zoe Footer, Property and Estates Manager

Key Decision: Yes

Exempt Decision: No

This report refers to a Discretionary Service

Appendices attached to this report:

Appendix A	Breckland Bridge Ltd Business Plan 2023 – 2028
Appendix B	Further property assets that are available to the Breckland Bridge joint venture
Appendix C	Profoma B