

Exeter City Council

Wholly Owned Development Company

Steering Group

Dev Co Creation and Year One Business Plan Activities

January 2018

1. The History / Background
2. The Objective
3. The Deliverables
4. The Proposed Process & Gateways
5. The Budget
6. Approvals Required

- Full Council on 18th October 2016 approved a supplementary budget of £350,000 to enable a detailed feasibility study to be prepared on the benefits of setting up a Local Authority Trading Company – The Development Company.
- The leadership of Exeter City Council have asked a team to look at the merits and mechanics of establishing a Development Company.
- This work started in January 2017 following briefings from the Leader and the Chief Executive on the vision for Exeter and for the city to be active in taking control of its destiny and addressing the challenges it currently faces;
 - Reduction in business rates.
 - Lack of market appetite to develop commercial space suitable for smaller businesses and businesses of the future.
 - The rising cost of housing and lack of support for young people / first time buyers.
 - Rebalancing the rise of student accommodation.
 - Borrowing limitations of the HRA.
- A team of internal and external consultants was assembled to address the vision, objectives, legal, financial and operational challenges that the Development Company would face.
- The resulting business case was presented to and discussed with Council members and the Senior Management Board (SMB) in May, September and October 2017.

The purpose of the Development Company and its developments are;

- To **deliver new homes**, more affordable homes in the City.
- To contribute to a **greener city** through delivery of low carbon, Passivhaus standard homes, green infrastructure etc.
- To contribute to a **safer city** through regeneration of estates and reinforcement of 'urban villages' across the city.
- To provide Exeter City Council with a return on capital investment and **a new revenue stream**.
- To **unlock sites** not viable for private sector delivery.
- To **intervene in the market**, providing commercial developments benefitting the City (such as increased business rates).

On the 8th November 2017, Council members and the Senior Management Board (SMB) agreed to the principle of the Development Company and approved the project team to proceed to the final stage prior to establishment. The deliverables of this final stage are as follows;

1. Prepare the Year One detailed business plan for the Development Company based on the Council Own Build (COB) Wave 3 sites.
2. Demonstrate the Development Company is the optimum model for delivering development. This will include evaluating the strengths and weaknesses of the following delivery models;
 - HRA Development (model previously adopted).
 - Wholly Owned Dev Co.
 - Joint Venture with a developer.
 - Sale and leaseback.
 - Straight sale (with and without overage provision).
3. Model the feasibility of the Vaughan Road site including close examination of the costs to the Housing Revenue Account and impact on residents.
4. Incorporate a company at minimal cost to maintain momentum.
5. **Prepare the Dev Co Business Case for submission to Council, ready for commencement of Dev Co operations at the beginning of August 2018.**

Purpose of the Steering Group

In order to incorporate Council member and SMB involvement in this critical final stage, it is proposed to set up a Development Company Steering Group. The proposed individuals for the steering group are as follows;

1. Karime Hassan – Chief Executive
2. Cllr Peter Edwards – Council Leader
3. Cllr Rachel Sutton – Deputy Council Leader
4. Cllr Hannah Packham - Portfolio Holder for Housing Revenue Account
5. Cllr Emma Morse - Portfolio Holder for People
6. Cllr Rosie Denham - Portfolio Holder for City Transformation, Energy and Transport.
7. Bindu Arjoon – Director (SMB Representative)
8. David Hodgson - Chief Finance Officer (s151 Officer)
9. Baan AL-Khafaji - City Solicitor & Head of HR Services

The Steering Group meetings will also be attended by Lawrence Blake (Service Lead – Housing Customers), Emma Osmundsen (Shadow Director (Development Company) and Justin Pickford (Baker Ruff Hannon, Programme Manager). Sarah Selway and Mark Devlin will also attend to record the meeting and assist with administration.

Purpose of the Steering Group

The Steering Group will have two purposes :

One

To guide and steer key decisions and assumptions required in order to promote the progress of the Development Company's creation, including preparation of the year one business plan ahead of Business Case submission through the formal ECC governance process. No delegated authority will be required for this function.

Two

In addition to the above it is anticipated that the steering group will remain in place with a monitoring function during the first year of the development company's operation (subject to approval to operate).

The Proposed Process & Gateways

	Steering Group Meeting Gateway	Date	Dev Co Creation Outputs	Year One Business Plan Outputs
1	Delivery Models	01/02/18	<ul style="list-style-type: none"> Overview of delivery options. 	
2	Business Plan Scope & Timescales	08/02/18		<ul style="list-style-type: none"> Agree business plan sites, scope and approach. Agree business plan timescales (incl. enabling work).
3	Operation & Governance	19/02/18	<ul style="list-style-type: none"> Agree governance processes and procedures. Agree strategy for Director(s) appointment. 	<ul style="list-style-type: none"> Agree business plan operational assumptions (secondments, back office services etc.).
4	Land Values & HRA	08/03/18	<ul style="list-style-type: none"> Understanding of HRA implications. 	<ul style="list-style-type: none"> Agree land values for business plan.
5	Draft Business Plan	26/03/18	<ul style="list-style-type: none"> Agree shelf company name, registered address, initial Director and share capital. 	<ul style="list-style-type: none"> Review draft business plan and agree amendments including alternative delivery options.
6	Final Business Plan	14/05/18	<ul style="list-style-type: none"> Incorporate shelf companies. 	<ul style="list-style-type: none"> Review final business plan and agree any final amendments.
7	Commence Approval Cycle		<ul style="list-style-type: none"> Corporate Services Scrutiny – 28/06/18 Executive – 10/07/18 Full Council – 24/07/18 	
8	Company Formation		<ul style="list-style-type: none"> Establish company bank account, provide loans, commence secondment and service agreements. 	<ul style="list-style-type: none"> Purchase development sites.
9	Development Commencement			<ul style="list-style-type: none"> COB Wave III start on site.

Dev Co Business Plan

Item	£
Burrows Hutchinson Development appraisals & cash flows	£7,500
Baker Ruff Hannon Business case updates, project management, construction cost estimates and business advice.	£9,500
Ashfords Business case updates, advice on company set up and timescales.	£12,000
EY Accountancy advice including profit and loss statement, balance sheet etc.	£14,000
Shadow Director Strategic direction, programme management and coordination with Council officers and members.	£43,000
Design Team Update and revision of layouts to enhance development appraisal outcomes.	£15,000
Specialist Reports Land valuations and surveys (asbestos, GI etc.)	£62,170
Contingency	£21,500
TOTAL	£184,670

Dev Co Creation Activities

Item	£
Shadow Director Coordinating information and decisions to set up shelf companies.	£7,100
Ashfords Set up a shelf holding company and a shelf subsidiary company.	£600
Ashfords Finalise corporate and contractual documentation, draft Board minutes, special resolutions etc and attending initial establishment board meetings.	£30,000
Chief Finance Officer Establishing company bank account and other financial requirements for shelf companies.	No Cost
City Solicitor Involvement in set up of shelf companies.	No Cost
TOTAL	£37,700

Part of the funding for this is to be provided from the Estates Regeneration Fund Grant.

- Proceed with the establishment of the proposed steering group.
- Proceed with the preparation of the first business plan within the proposed budget and timescales. Funding for this to be provided in part from the Estates Regeneration Fund Grant.
- Proceed with the initial incorporation activities within the budget and timescales. Funding for this to be provided in part from the Estates Regeneration Fund Grant.