

## **REPORT TO EXECUTIVE**

Date of Meeting: 10<sup>th</sup> January 2023

## **REPORT TO COUNCIL**

Date of Meeting: 21<sup>st</sup> February 2023

Report of: Exeter City Living Shareholder Representative / Chief Executive & Growth Director

Title: Exeter City Living Business Plan Progress Update

### **Is this a Key Decision?**

No

### **Is this an Executive or Council Function?**

Council

### **1. What is the report about?**

1.1 This report gives a progress update on the production and proposed timetable for Exeter City Living's (ECL) Annual Business Plan 2023-24.

1.2 This report confirms that the 2023-24 Business Plan will not seek any further new loans from the Council but expects to only need to draw down from the existing Council approved Loan provision (£16.5m).

1.3 This report informs Members that the Shareholder Representative will be leading a review of ECL's governance and Board Structure including the Management Agreement between ECL and Exeter City Council.

### **2. Recommendations:**

2.1 That the timeline for the submission of ECL's business Plan 2023-24 be moved for Council Consideration to the Executive meeting on 4<sup>th</sup> April 2023 and the Council meeting on 18<sup>th</sup> April 2023.

### **3. Reasons for the recommendation:**

3.1 The current Management Agreement prescribes a timeline for Business Plan production that stipulates a draft business plan must be prepared between 4 to 6 months before the start of the new Financial Year. On this basis the Business Plan would need to be prepared no later than 30<sup>th</sup> November each year.

3.2 The recommendation is therefore made to vary the Management Agreement timetable in order for the Business Plan production to make use of the recent cost information arising from the tender for the main contractor at The Gardens Whipton (Vaughan Road) development and associated viability implications as set out in the Report Details section 8.

#### **4. What are the resource implications including non-financial resources**

4.1 There are no additional resource implications including non-financial resources.

#### **5. Section 151 Officer comments:**

5.1 There are no additional financial implications for Council to consider contained in this report. The loan referred to in the report is approved by Council.

#### **6. What are the legal aspects?**

6.1 The Management Agreement dated 21<sup>st</sup> December 2018 sets out in Clause 11 the timetable for the Business Plan production. Clause 26.2 provides for the variation and waiver of the terms of the Management Agreement subject to it being in writing and signed by the parties.

#### **7. Monitoring Officer's comments:**

7.1 Members will note the legal aspects at paragraph 6. The Deputy Monitoring Officer has no additional comments.

Simon Copper (Deputy Monitoring Officer).

#### **8. Report details:**

8.1 The current Management Agreement prescribes a timeline for Business Plan production that stipulates a draft business plan must be prepared between 4 to 6 months before the end of the new Financial Year in April 2023.

8.2 The ECL Board have discussed with the Shareholder Representative that the content of the Business Plan is materially dependent upon the conclusion of the tender evaluation and HRA Viability Approval for the development of 91 homes at The Gardens Whipton. The procurement process has been successful with 5 submissions for the first phase of 35 homes, received at the end of November 2022. These submissions are currently being evaluated. The process will not be concluded until the end of December 2022 due to the nature of the new collaborative contract approach adopted (JCT Constructing Excellence Contract) and the associated Cost Analysis. This information is vital to facilitate a Homes England grant bid by the HRA along with the appropriate viability and approval process required to enable the project to progress to commence on site. ECL's innovative procurement approach has been in response to the current construction market and cost inflation requiring new ways of both procuring and evaluating projects. Without this most developments are unable to start in the current economic environment.

8.3 The inclusion of The Gardens Whipton or otherwise, is material to ECL's Business Plan for 2023-24, along with the Cost Analysis being utilised for appraisal purposes for pipeline of projects currently being progressed in line with the current Business Plan (2022/2023) and the approved Work Stage 2 authorisation by the Council.

8.4 ECL is also waiting on further instructions from the HRA to progress the next Work Stage on a potential 4 further HRA development sites following the submission of Work Stage 1 reports in September 2022. These instructions are pending the HRA's own Council approval timelines.

8.5 Consequently, the financial modelling required to complete the Business Plan 2023/2024 submission is dependent upon the above evaluation and approval for The Gardens Whipton. As such, the Shareholder Representative seeks agreement from the Council for a waiver in the Business Plan production timetable to enable the Business Plan for 2023-24 to be completed for consideration at The March 2023 Executive meeting (4th April) in preparation for approval by Council at the 10th April Committee meeting.

8.7 In the meantime, ECL continues to work on their development pipeline as detailed in their current Business Plan and approved Work Stage Reports instruction.

8.8 ECL will not be seeking new loans in their 2023-24 Business Plan but to continue drawing down of the existing Council approved £16.5m Clifton Hill Loan facility.

8.9 Alongside the completion of the 2023/24 Business Plan, the Shareholder Representative will be leading a review of ECL's governance and Board Structure including a review of the Management Agreement between ECL and Exeter City Council.

## **9. How does the decision contribute to the Council's Corporate Plan?**

9.1 The decision in of itself does not impact on the Council's Corporate Plan. ECL is a delivery vehicle to build homes and is therefore an important contributor to meeting the goals of the Corporate Plan and the delay in considering the annual business plan is simply to facilitate assessment of financial details associated with tender returns to inform the production of the plan.

## **10. What risks are there and how can they be reduced?**

10.1 The principle risk is the continued slippage in the Business Plan production and thereafter approval and not conforming to the Management Agreement Terms & Conditions. A second risk pertains to issuing a Business Plan within the Management Agreement terms which does not contain current available data. Both these risks would be mitigated by agreeing to a new Business Plan production timetable and the ECL Board and Council officers working collaboratively to ensure the necessary date is agreed and modelled within the 2023/2024 Business Plan.

## **11. Equality Act 2010 (The Act)**

11.1 In recommending this proposal no potential impact has been identified on people with protected characteristics as determined by the Act because the decision is simply to delay consideration of the business plan to enable assessment of tender returns to inform the finalising of the business plan that is seeking to build homes to meet housing needs.

## **12. Carbon Footprint (Environmental) Implications:**

12.1 The carbon / environmental impacts for ECL's 2022-2023 Business Plan have already been recorded when the Business Plan was approved by Full Council on 10th March 2022. These implications remain unchanged. No direct carbon/environmental impacts arising from the recommendations. The carbon environmental impacts will be reviewed as part of the 2023-24 Business Plan

### **13. Are there any other options?**

13. 1 Members could insist on consideration of a business plan without essential financial details informed by the most recent tender exercise. This would be less than satisfactory.

**Chief Executive & Growth Director Author, Karime Hassan**

**Shareholder representative**

### **Local Government (Access to Information) Act 1972 (as amended)**

Background papers used in compiling this report:-

Management Agreement for Exeter City Living

Contact for enquires:  
Democratic Services (Committees)  
Room 4.36  
01392 265275