

Cherwell District Council

Executive

7 September 2015

Graven Hill Update

Report of Director of Resources and Commercial Director (Bicester)

This report and appendix 1 are public
Appendix 2 is exempt from publication by virtue of paragraph 3 of Schedule 12A to the
Local Government Act 1972

Purpose of report

To update members on the work being undertaken by the Graven Hill Development Company in delivering the large scale self build project and to present the 2015/16 business plan and financial forecast as per the Council's governance and financing requirements for this investment.

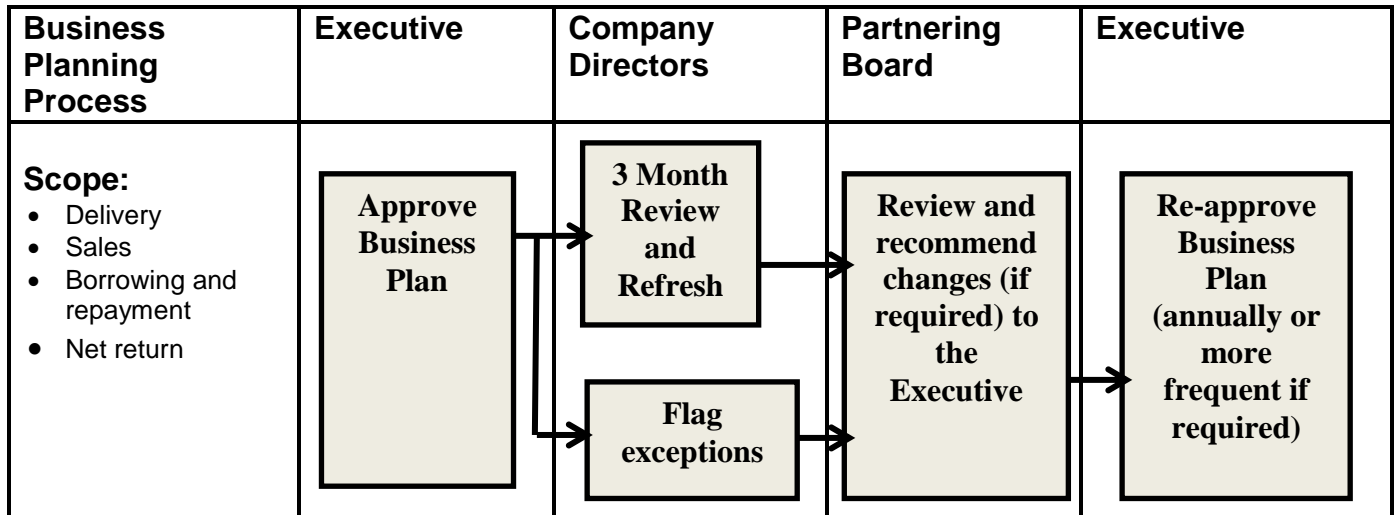
1.0 Recommendations

The meeting is recommended to:

- 1.1 Note the significant progress being carried out by the Graven Hill Development Company as set out in Appendix 1.
- 1.2 Approve the 2015/16 Business Plan and objectives as set out in Appendix 1
- 1.3 Approve the updated Financial Forecast as set out in Appendix 2 and ask officers to reflect the changes from the baseline model into Council financial forecasts and funding plans.
- 1.4 Approve the membership of the Partnering Board in Para 3.16. This group have responsibility for safeguarding the Council's equity investment and lending to the Company by undertaking more detailed monitoring of the Business Plan and providing advice and recommendations to Executive.
- 1.5 Consider the addition of a member of the Overview and Scrutiny Committee to the membership of the Partnering Board as set out in paragraph 3.17 such member, if approved, to be appointed to the Board by the Overview and Scrutiny Committee at its next meeting.

2.0 Introduction

2.1 At its September 2014 meeting, the Executive received a report outlining the governance arrangements in place to monitor the Graven Hill site acquisition. The governance arrangements in place to monitor the Council's investment are set out below:



- 2.2 An initial meeting of the Partnering Board took place in September 2014 in order to establish terms of reference and agree roles and responsibilities of the membership. The Board has then met quarterly to ensure effective monitoring against the Graven Hill Business Plan and financial projections.
- 2.3 The Partnering Board monitor progress against the business plan and in turn updates are given to the Executive on project progress and to escalate areas that require Council approval.
- 2.4 This report gives the current overview of the work being undertaken on the project during 2015/16 and asks the Executive to approve the 2015/16 business plan and consider an updated financial forecast for Graven Hill in line with the governance arrangements that are in place. It also asks the Executive to confirm the Councillor membership of the Partnering Board including the possibility of including a member of the Overview and Scrutiny Committee.

3.0 Report details

2015/16 Business Plan

- 3.1 Appendix 1 sets out the 2015/16 business plan objectives along with a current overview of the work currently taking place in relation to the Graven Hill site. As can be seen the focus of activity for the site is currently fivefold:
- 1) Completing surveys, refining masterplan, updating viability, programme and planning conditions.
 - 2) Working with MOD to ensure site separation is on track.
 - 3) Preparing for the key infrastructure phase including procurement.
 - 4) Sales - creating demand and designing suitable products.
 - 5) Recruitment of key personnel to deliver the project operationally and commercially.

- 3.2 The board receives a monthly report on sales & marketing, operations, finance, programme and governance which focuses on the key workstreams and outputs.

Sales & Marketing

- 3.3 As the UK's largest self build scheme, Graven Hill is already on the map and high profile in terms of potential customers and other local/national stakeholders. Pages 6-11 of Appendix 1 set out the work being undertaken to maintain interest and develop the commercial offering.
- 3.4 The KPI's for 2015/16 are set out on page 13 of Appendix 1 and include delivering a price preview event in November 2015, when we will announce the plots available in the first phase, plot prices and outline the reservation process.

Operations

- 3.5 The site is currently still occupied by the MOD by virtue of the lease granted in August 2014. The land will be transferred in 2 phases and work is currently underway to ensure phase 1 land is transferred in October 2015, when we will then begin the planning for infrastructure work required for the demonstrator plots and phase 1.
- 3.6 The detailed activities for 2015/16 can be seen on Page 12 of Appendix 1.

Programme

- 3.7 The Graven Hill project is estimated to take 10 years and involves delivering against a complex programme of infrastructure works.

Finance and Governance

- 3.8 KPI's for 2015/16 are set out on page 13 of Appendix 1 and these indicators ensure that the company works within the financial/governance boundaries set by the Council, comply with statutory and Company House requirements and manage cashflow. The governance of the company is set out on page 14 and this will be reviewed during autumn 2015.

2015/16 Updated Financial Projections

- 3.9 The detailed financial model established for the Graven Hill project is monitored on a monthly basis by the delivery team, board directors and the company accountants Clark Howe's.
- 3.10 The company has prepared accounts for the period August 2014 to March 2015 and they have been submitted to the Council and are currently being audited. The outcome was as expected for the shortened year 1 period.
- 3.11 As we continue to progress the pre-development work on the site, update the masterplan, understand the market requirements, work through the technical process of delivering self build plots, consider inflation, timescales and other economic factors it is inevitable that the financial projection for the company will change.
- 3.12 In July 2015 the Partnering Board received an updated financial model and projection for the company and received comprehensive commentary on the changes compared to the baseline financial model approved by the Council in September 2014.

- 3.13 A summary of the financial model and financial projection is contained in Appendix 2. This appendix shows the impact on the council finances of this investment.
- 3.14 The Partnering Board considered these changes in detail and as the impact on the Council was minimal when compared to the baseline forecast approved they were happy to recommend to the Executive that the latest financial projection be approved and used as baseline 1 for monitoring and cashflow purposes.

Governance Arrangements – updated membership

- 3.15 At the June 2014 meeting it was agreed that a Partnering Board would be established to monitor the performance of the companies in delivering the objectives of the business plan. This Board will have closer involvement to ensure overall supervision of the Company and the scope the Directors have in conducting the affairs of the Company is adequately controlled.
- 3.16 At the June 2014 meeting elected members were appointed to the Partnering Board by name rather than portfolio. Clearly membership should relate to Lead Member responsibility and it is therefore recommended that the Partnering Board membership is confirmed accordingly as follows:
- 5 Elected Members
 - Leader of the Council
 - Lead Member for Financial Management
 - Lead Member for Housing
 - Lead Member for Estates and the Economy
 - Leader of the Opposition group
 - The Council's S 151 Officer and the Monitoring Officer
- 3.17 At its February 2015 meeting the Overview and Scrutiny Committee requested officer advice on the circulation of information from meetings of the company boards. The minutes of board meetings are confidential to the companies but the Committee clearly has a legitimate interest in having an overview of this significant corporate project. While reports to the Executive such as this provide a periodic overview to all elected members the overview and scrutiny role could be enhanced by augmenting the Partnering Board membership by a Committee member. The Executive is accordingly requested to consider this possibility. In the event that the addition of a Committee member to membership of the Partnering Board is approved the Committee will be requested to make an appointment at its next meeting.

4.0 Conclusion and Reasons for Recommendations

- 4.1 As at 24 August 2015 (latest Board Meeting) the work programme for Graven Hill is on track in terms of current programme, budget and risk management.
- 4.2 This is a significant investment for the Council and one that is innovative and delivers many positive benefits to the District. It is therefore imperative that the strong governance that has been put place continues to actively manage the work programme, budgets, risks and mitigations.

- 4.3 The Partnering Board has as per the governance arrangements actively managed and monitored the delivery of the initial work programme and financial appraisal of the development company. The vision document and updated financial appraisal has been reviewed in detail and is presented to the Executive for ratification.
- 4.4 The Executive will receive an update in Q4 on progress against the targets outlined on page 13 of Appendix 1.

5.0 Consultation

- 5.1 The work programme and financial appraisal is regularly monitored by the Directors of the companies set up to deliver Graven Hill and the Partnering Board. The vision document and financial appraisal has had the following consultation:
- Clark Howes - Accountants
 - EC Harris – technical consultants
 - Knight Frank and Whites Commercial
 - Graven Hill Holding and Development Company Directors
 - Partnering Board

6.0 Alternative Options and Reasons for Rejection

- 6.1 There is an option to ask for a further review of the vision document and financial forecast.

7.0 Implications

Financial and Resource Implications

- 7.1 The financial implications are as set out in exempt Appendix 2.

Comments checked by: Paul Sutton, Head of Finance and Procurement, 0300 0030106, Email: paul.sutton@cherwellandsouthnorthants.gov.uk

Legal Implications

- 7.2 There are no legal implications arising as a result of this report.

Comments checked by: Richard Hawtin, Team Leader – Non-contentious
Tel: 01295 221695, Email: richard.hawtin@charerwellandsouthnorthants.gov.uk

Risk Implications

- 7.3 A full list of risks and mitigations are monitored on a monthly basis by the delivery team and reported to the monthly board meeting and quarterly partnering board meetings. Subject to the monitoring and management of these risks, the risk analysis does not indicate any issues at this stage.

Comments checked by: Paul Sutton, Head of Finance and Procurement, 0300 0030106, Email: paul.sutton@cherwellandsouthnorthants.gov.uk

8.0 Decision Information

Key Decision Yes

Financial Threshold Met: Yes

Community Impact Threshold Met: No

Wards Affected

All

Links to Corporate Plan and Policy Framework

This proposal will enable the Council to deliver its vision for Graven Hill, which fully meets the objectives of all of the Council's strategic objectives:

District of Opportunity - housing growth, employment and infrastructure

Thriving Communities – affordable housing, self build

Safe Green and Clean - sustainability measures, reduce carbon footprint, Bicester "One Vision"

Sound Budgets and Customer Focused Council - financial returns on investment that can be used to fund other projects district wide, deliver New Homes Bonus and business rates.

Lead Councillor

Councillor Barry Wood, Leader of the Council

Document Information

Appendix No	Title
Appendix 1	2015/16 Graven Hill Business Plan
Appendix 2	Updated Financial Forecast (exempt)
Background Papers	
None	
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