

## Eco Bicester Strategic Delivery Board

<b>Date of meeting: 21 July 2011</b>	<b>AGENDA ITEM NO:  4</b>
<b>Report title: NW Bicester Community Governance: Progress Update</b>	
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### 1. Purpose of Report

- 1.1 This report summarises the progress that has been made on developing the proposals for a Local Management Organisation (LMO) for North West Bicester, since November 2010. It is timely to provide the Strategic Delivery Board with this update, given that the site promoters have included proposals for Community Governance in support of the Phase 1 planning application. This was considered by Cherwell District Council's Planning Committee on 14 July 2011 and has been deferred to allow time for further agreement to be reached on a number of issues, in particular the S106 contributions payable by the site promoters to support social and community infrastructure.
- 1.2 In this report, the term LMO is a generic term used to describe a locally focused, democratically accountable organisation through representation from the 3 local authority tiers, which could ultimately be responsible for delivering the agreed functions within NW Bicester and potentially in time, to a wider area.

### 2. Background

- 2.1 Both the Eco Town Supplement to Planning Policy Statement 1 and the adopted One Shared Vision for Bicester envisage that there will be a Local Management Organisation (LMO) set up at NW Bicester. This is to allow local people to directly make decisions on the management and maintenance of community assets, such as the green space on the site and the community hall, as well as having the ability to generate income to be reinvested for community purposes. The LMO could also have a key role in facilitating continued community involvement and engagement with the new occupants, so that they feel part of the new community and are able to participate effectively in the future governance of the Eco Town.
- 2.2 Over the past year the local authorities together with the promoters of the site P3 Eco and their Registered Provider partner, A2 Dominion Housing Group Ltd, have been exploring the setting up of an LMO for NW Bicester. This is in order to develop further the ideas contained in the Community Governance Strategy submitted in support of the Phase 1 Application and to investigate how such an organisation could add value.
- 2.3 Last year, Cherwell District Council (CDC) commissioned some initial work to explore the options and potential risks involved in setting up a Local Management Organisation for North West Bicester. This took the form of a discussion paper which was presented to and discussed by the Leading Members Group on June 30 2010. It was decided that the issues merited further exploration, not least because the successful setting up of the organisation would

ultimately rely on the support of CDC, Oxfordshire County Council (OCC) and Bicester Town Council (BTC).

- 2.4 The support and involvement of the promoters P3 Eco and A2 Dominion in any such discussions was also recognised as important, because as well as having a key stake in the project's success, they are also required by the Eco Towns PPS Supplement (Policy ET 22), to submit the details of the long term governance structures with their planning applications for NW Bicester. Therefore it was agreed that there was an imperative for the local authorities to agree in principle their views on the setting up of such an organisation so that an effective steer could be given to the promoters on the approach to follow in their application documentation.
- 2.5 A workshop was organised in November last year in order to start collectively exploring the issues associated with setting up an LMO. The workshop was facilitated by ATLAS (Advisory Team for Large Scale Applications) and attendance included key District and County Council Service providers, key members from both authorities and BTC, members of the promoters' team including their consultants and Bicester Vision Partnership. A report went to the meeting of the Leading Members Group in November which set out the main outcomes from the workshop and recommended some next steps. The report also summarised the main proposals contained in the site promoters' draft Community Governance Strategy, the final version of which has since been submitted in support of the Phase 1 planning application.
- 2.6 The November meeting of the Leading Members Group noted the suggestion of the promoters that A2 Dominion should take on an interim role managing the services and public facilities on the site before passing over the responsibility for this to an LMO over time. Members agreed that it was a priority to establish how such an Organisation would be funded, and supported further work to be carried out which would include BTC and the promoters, to explore issues relevant to setting up an LMO.
- 2.7 Since this time, progress has been made on 6 key fronts:
- i) Promoting changes to the parish boundaries affecting NW Bicester
  - ii) Setting out an indicative staged process towards setting up the LMO
  - iii) Establishing an initial list of activities the LMO could take on
  - iv) Commissioning a jointly funded Business Plan to provide information on costs
  - v) Holding monthly joint officer and promoter Community Governance meetings
  - vi) The community governance S106 Heads of Terms (Phase 1 application)
- 2.8 The remainder of this report focuses on each of these areas in turn.

### 3. Changes to the Parish Boundaries affecting NW Bicester

- 3.1 Currently the NW Bicester site falls within 4 parishes – Bicester, Bucknell, Caversfield and Chesterton. It also falls across 3 district wards and 3 county divisions:

	<b>Bicester</b>	<b>Bucknell</b>	<b>Caversfield</b>	<b>Chesterton</b>
<b>Parish Ward</b>	Bicester West Ward	-	-	-
<b>Parish</b>	Bicester Town Council	Bucknell Parish	Caversfield Parish	Chesterton Parish

<b>District Ward</b>	Bicester West Ward	Caversfield Ward	Caversfield Ward	Ambrosden and Chesterton
<b>County Division</b>	Bicester Division	Ploughley Division	Ploughley Division	Bicester South Division

- 3.2 This complex situation presents some difficulties for the future governance of NW Bicester, regardless of whether a Local Management Organisation is set up or not. Therefore it was agreed within CDC, that the idea of promoting a change to the parish boundary, so that the whole site would fall within Bicester Town Council's administrative area, should be investigated. This concept was discussed with Bicester Town Council members in December last year, as part of the regular bi-lateral meetings with the former Cherwell Chief Executive. An initial meeting was also arranged between CDC and the councils affected; Bicester, Caversfield and Chesterton councils attended this meeting.
- 3.3 Parish boundaries, parish wards and the number of parish councillors are changed by Cherwell District Council via a Community Governance Review. District ward and county division boundaries can be changed through "Resultant Alteration" by the Local Government Boundary Commission for England, as long as there has been a review of a principle area within 5 years. Currently CDC has a whole district Community Governance Review scheduled for 2012 and a plan that new arrangements could be in place for 2013, with resultant alterations made after this date. Changes would take effect from the next ordinary election after the changes had been made.
- 3.4 The Local Government Boundary Commission for England is currently reviewing the electoral boundaries and number of councillors in Oxfordshire. As a result CDC cannot easily bring its Community Governance Review forward given very strong advice from the Boundary Commission that a Community Governance Review should not take place while a boundary review of a principle area is taking place. However, the current review of Oxfordshire presents opportunities for CDC to draw the Boundary Commission's attention to the growth-related boundary issues in Cherwell and to its future intentions.
- 3.5 As a result of the meeting with BTC and other related discussions, a report went before Cherwell District Council's Full Council in February 2011 recommending that Cherwell District Council make a formal submission to the Boundary Commission as part of the Commission's review of Oxfordshire, requesting it takes into account the proposed intention to consult on the alteration to the Bicester parish boundary, (amongst others in the Cherwell District), as part of the Community Governance Review in 2012.
- 3.6 The formal submission to the Boundary Commission has since been made by CDC. As part of this process, CDC officers have discussed their intentions with Oxfordshire County Council's democratic team.
- 3.7 It is anticipated that the outcome of this submission will be known around the time the Boundary Commission concludes its Review – currently estimated to be January 2012, before the commencement of CDC's Governance Review. Therefore on current estimates, it is not unreasonable to assume that NW Bicester could be incorporated into BTC's administrative boundary and enacted by 2015. According to the housing trajectory that was submitted with the Phase 1 application and assuming no slippage from this timetable, 425 dwellings on the site could be completed (but not necessarily occupied) by this time.

3.8 The Strategic Delivery Board will be kept informed of further developments on this matter.

#### 4. An Indicative Staged Process towards setting up the LMO

4.1 Although there has been much discussion about the setting up of an LMO for NW Bicester, up until fairly recently it has been difficult to visualise how this might occur - in other words the process that would allow this to happen. CDC officers have carried out further work on this issue to try and map out an indicative process that would occur in stages. This is set out in the diagram at Appendix A and timetable at Appendix B.

4.2 It is important to emphasise the following points:

- While what happens at each stage is reasonably definitive, inevitably there will be some flexibility over exactly when each stage occurs - dependant in part on the timetable for planning consents, the actual build out rate, sales of housing and the extent of critical mass needed to ensure community involvement by NW Bicester residents.
- A key point to note is that rather than agreeing to set up an LMO at this stage, we are trying to map out and agree a process for setting it up and then ensure the right amount of funding and assets are negotiated through the S106 agreements attached to any planning consents.
- Ultimately, whether an LMO will be set up or not, will be down to the appetite of the new community for getting involved in community governance and hence its precise form and direction, should ultimately be determined by them, rather than too much of this detail being set in stone now.

4.3 Indicative Timetable (to be read alongside Appendices A and B)

**Stage 1** will take place around the time when the first dwellings on site start to become occupied - say 2012 / 2013. This is where A2 will generally take on the early management and service delivery role of the LMO and start to work with the community to build up capacity / training so that they will eventually be able to manage their own affairs.

4.4 **Stage 2** will occur as early as possible, but probably not before 200 dwellings have been completed - on current estimates, around 2013/2014 - and possibly later than this, depending on the build out and occupation rates of the development as well as the appetite of the new community to get involved. This is where an Interim Partnership Board will be formed - a precursor to the LMO, which will contain representatives from all the key partner organisations, BTC / CDC / OCC, as well as representatives from the NW Bicester community and A2 Dominion/ P3 Eco. New residents will have the opportunity to learn as the organisation evolves and have voting rights without taking on sole responsibility / ownership. As the community grows and as and when there is increased interest from newcomers in governing their community, this will need to be reflected in the composition of the Board so that eventually the Board will get to a stage where the community representatives start to outnumber the representatives from other bodies.

4.5 **Stage 3** As the diagram in Appendix A indicates, it is at this point that the work could begin to establish the legal structure of the nascent organisation and a detailed Business Plan for its operations. (A Stage 1 Business Plan will already have been carried out at an earlier stage to inform the S106 negotiations - more on this is contained in section 6 below). The Interim Partnership Board could be responsible for commissioning this work, which could be resourced

from those monies set aside from the S106 package which will have been transferred along with other assets set aside for the setting up the LMO, to the Interim Transfer Body. Ideally, key decisions about legal structure and business planning should be taken with the involvement of the new occupants of NW Bicester so that they are able to directly influence the form of the LMO, rather than it being set up in advance, without their involvement. However the timing of this detailed area of work has not yet been decided - there may be some advantages to commissioning it sooner than the diagram envisages.

- 4.6 **Stage 4** will occur once there is the critical mass of new occupants to sit on the new LMO Board. It is at this stage that the full transfer of assets and resources from the Interim Transfer Body will take effect. In time, the LMO may well grow its complement of staff so that the organisation will have clearly defined executive and operational functions. This may well not occur until the development is completed and the promoters have no more financial interest in the site – or it could occur earlier - in any event this stage is probably at least 5 years away from the start of development on site and quite possibly longer.
- 4.7 In the event that the new community do not want to run the LMO, the stepped approach to setting it up as described above would halt and the responsibilities would either rest with A2 and / or CDC / BTC / OCC as would the assets accrued for that purpose.
- 4.8 In the event that the LMO failed for whatever reason, Cherwell District Council would usually be "the provider of last resort" which means that all those services and functions that the LMO performed, would fall back to CDC to provide.
- 4.9 This indicative staged process has been shared with and explained to the Community Governance meeting of CDC, BTC and OCC officers and has received support. It has also been shared with and explained to representatives from A2 and P3 who have agreed "that it is a sensible way forward".

## **5. Establishing an initial list of activities an LMO could take on**

- 5.1 At the Community Governance Workshop in November there was a general consensus around the groups of activities an LMO could take on:
- Green space (including public realm, formal and informal open space, burial areas etc)
  - Energy (and possibly waste)
  - Community facilities
  - Community development.
- 5.2 It was also felt that there was potential for other areas to be looked at. Travel planning was agreed as being a possible strong contender in terms of an LMO being able to provide advice and information around sustainable modes of travel, car clubs, community transport etc.
- 5.3 The above are broad categories of activity however; the promoters' Community Governance Strategy sets out a whole range of detailed activities for the LMO to eventually take on. Therefore it was considered that the implications of this detailed list of activities put forward by the promoters needed to be considered and discussed at a corporate level involving relevant CDC / BTC / OCC officers. An internal workshop was organised in March with representatives from the key affected service departments. The Group worked systematically through the entire list of activities suggested by the promoters and considered firstly, whether A2 should take on a particular service and secondly should that service / activity then be passed over to

an LMO to take on, and if so what were the related issues associated with this. A good level of consensus was achieved after much discussion. The results of the Group's deliberations are summarised at Appendix C and have now been shared with the site promoters.

5.4 The following sets out the key points arising from the discussion for each subject area:

**a) Community Engagement and Consultation**

Community Engagement will be vital for the success of NW Bicester and to ensure community cohesion with rest of Bicester. There is a need for a Community Engagement Strategy which applies prior to the development as well as during the build out of the development. A2 / P3 will have a role to play in this to begin with, along with other local bodies, but this is a key area of responsibility for the Interim Partnership Board which should be set up early and ultimately is an area for an LMO to be responsible for.

**b) Community Development and Capacity Building**

Although this is not a role for A2 exclusively, they do have a potentially useful role to play in community development, especially in the early days of the development. An LMO could eventually oversee this function, relying on delivery partners to implement an agreed Community Development Strategy. However, more information on A2's approach to this area of work is needed before CDC will be comfortable with them taking the lead on this aspect.

**c) Tenure and Tennant Management**

A2 have an obvious role to play here early on, providing that all can be satisfied that they carry out this activity to a high standard. There could also be a potential role for a Tenure Management Organisation in due course. A2 need to be questioned on their track record in this respect, in the first instance.

**d) Public Realm Management**

A2 could be responsible for management and maintenance in the early years or CDC could. This responsibility could transfer to an LMO – indeed there might be real community development benefits to be gained from this. However the key for this function to be successfully carried out by an LMO over time is that there will need to be a proper base on which to fund the operations over time, which will need to include assets as well as an endowment / public funding.

**e) Eco Town Performance Management and Monitoring of Standards**

This is a potential activity for A2 and an LMO - however it needs to be very carefully thought through as to what will be monitored and how, as well as the frequency of doing so. The right resources need to be provided to make sure this does not turn out to be a burden on the LMO.

**f) Management of Community Facilities**

This is a definite activity for A2/ P3 (given that CDC have taken the decision not to own or manage the hall) and an LMO in due course, but its design and co-related uses would need to ensure some income could be generated from its management, otherwise it could become a liability.

**g) Commercial Properties (including energy centre)**

Commercial properties could be a useful potential asset to generate funding over the long term for the LMO, although involvement in an energy centre could present some risks for an LMO, which would need full investigation.

5.5 It is important to stress that this is a list of *potential activities* for the LMO. We needed to establish this in order to move to the next stage of the investigation, namely to find out what funds the LMO will need to operate effectively and how will it be funded. This next stage of work is pivotal in terms of how the proposals for the LMO develop; it may be that once a better idea of the costs is known, the list of activities and who will carry them out will be refined further. Of course there is also the possibility that following further investigation, all parties may decide to pursue a different approach to community governance at NW Bicester. At this stage however there is still more to be explored before being able to come to an informed view. The next section of this report sets out how this information gap could be filled.

## 6. Commissioning a jointly funded Business Plan to provide information on costs

### 6.1 Stage 1

At the time of writing it is hoped that the promoters will confirm their support to jointly commission and fund (with CDC) specialist consultants to prepare a Stage 1 Business Plan. A draft brief has been prepared and is awaiting their comment. The purpose of the Stage 1 Plan is so that all the parties involved in progressing the planning proposals for NW Bicester, understand the costs and related issues involved in establishing an LMO to serve the new development. It is intended that this work will primarily inform the forthcoming S106 negotiations on the outline planning application for the site and also may influence thinking on how the LMO should develop.

6.2 It is envisaged that this work will be tendered and commissioned early Autumn 2011 to allow a report to be received from the consultants during Winter 2011/2012. This will be in good time for the findings to be analysed and reported to members, as well as allowing time for the information to be fed into the viability analysis that will underpin the S106 negotiations on the outline planning application. Most importantly the receipt of this information will allow some further review of the LMO proposals on the table currently and allow all involved parties to review the direction of travel on the LMO if necessary.

6.3 Specific anticipated outputs of this Stage 1 work will be:

- i) An analysis of the NW Bicester Eco Town proposed development and context, in terms of the particular challenges and opportunities it presents for delivery of a fully funded LMO.
- ii) A survey of all possible options for funding including S106, available grants (EU and UK) and more entrepreneurial approaches such as a trading model or one that relies on third party revenues, such as from Feed in Tariffs, together with an analysis of the risks and benefits of each
- iii) The creation of a financial model specifically tailored to respond to the particular circumstances of the NW Bicester Eco Town, which sets out the indicative cash flow over a set period of time (maybe 30 years) and gives a comprehensive indication of the range, type and timing of the required funding.
- iv) An analysis of the financial risks and potential mitigations around the setting up of LMOs

### 6.4 Stage 2

A brief has also been prepared for a Stage 2 Business Plan which it is envisaged that the Interim Partnership Board will commission, although the timing of this commission could be brought forward if necessary.

- 6.5 The purpose of this work is to ensure that the set up of the LMO is carried out correctly and is created to ensure it has the most tax efficient structure, as well as ensuring that the legal and financial structure is best suited to its agreed functions. It will be a necessary part of the due diligence exercise that will provide all parties with assurances that risks have been identified and the appropriate mitigations have been put in place.
- 6.6 In essence what is required at this stage is the preparation of an advanced (Stage 2) Business Plan / financial model which would set out a clear and precise framework to ensure that the organisation would be financially robust over the long term. This work will build on the Stage 1 work, therefore it is likely that the specific brief for the Stage 2 Business Plan will only be able to be fully worked up once the Stage 1 Business Plan has been completed, however at this stage, the following outputs are anticipated:
- i) A fully worked up model which identifies the initial and ongoing investment in the organisation. The model will need to consider (amongst other matters): income generated by assets, the detailed assumptions around scheme build out, inflation assumptions etc, detailed set up costs, service running costs, ongoing operating and maintenance costs, tax considerations and tax structuring.
  - ii) An accompanying Business Case, with projections based on the model, exploring the various funding options for the organisation, including options for financial structuring (i.e. the proportion of equity, debt, types of endowment etc) and other sources of funding including grant and / or match funding.
  - iii) An analysis which would consider the economic rationale for the organisation, value for money, the state aid implications of any public sector support, strategies for procurement, governance arrangements and any other matters which are relevant to the running of the organisation and the assets transferred to it.
  - iv) An analysis of the various risks relating to (amongst other matters) funding, project delivery, strategic risk, investment performance and structure, with categorisation according to likelihood and potential impact, together with mitigating strategies
  - v) A sensitivity analysis of the financial model to ascertain the effect of various risks on the viability of the organisation - including variances in inflation and other assumptions, delays in the creation and transfer of assets, poor performance of revenue creating ventures etc
  - vi) Specific advice on the respective advantages / disadvantages of the differing legal structures in respect of the relevant taxes that will need to be considered for the organisation
  - vii) Advice on related matters such as possible management structures, leasing arrangements, mechanics of setting up companies, advice on preparing relevant company / organisation articles/ memorandum/ registration documents etc, and commercial principles.
- 6.7 The Strategic Delivery Board will be briefed on the findings of the Stage 1 Report and updated on the implications this may have for the current LMO proposals, as well as for the timing of the Stage 2 work.



## **7. Holding regular joint officer and promoter Community Governance meetings**

7.1 As well as the setting up of an officer group with membership across the 3 local authorities to develop and test the evolving proposals for the LMO, monthly meetings with joint attendance from key local authority officers (including from BTC) and representatives from P3 and A2 are also now established. This is allowing momentum to be gained in the discussion on this area of the project and progress to be made on formulating the proposals and resolving related issues. In addition, a sub group has been set up comprising of CDC officers and A2 Dominion specifically to work on the detail relating to early community development and engagement for the Phase 1 development. The latest discussions are focussing on A2's proposals for structured engagement on LMO options with Bicester stakeholders including community groups, the business sector, resident representatives and voluntary groups, to take place later this year.

## **8. The Community Governance S106 Heads of Terms (for the Phase 1 planning application)**

8.1 Although the full details of how an LMO could operate at NW Bicester have yet to be worked up, it is important to ensure that there is sufficient funding provided to allow A2 to carry out the various functions for the development covered by the Phase 1 planning application and also that there is sufficient funding provided for the effective transition from A2 Dominion to the Interim Partnership Board taking over responsibilities. The S106 Heads of Terms for the Phase 1 application seek a number of commitments from the applicants on community governance, most notably:

- That they need to provide and agree details of the funding for the running of the A2 management body (Stage 1) and Interim Partnership Board (Stage2) and the carrying out of their functions effectively
- That they need to provide £100,000 to enable the Interim Partnership Board and other stakeholders to assess and develop the options for the LMO (this would include funding for the legal work and detailed Stage 2 Business Plan as referred to under Section 6 of this report).
- A minimum of £100,000 is dedicated by A2 towards the resourcing of their early Community Development, Community Engagement and Governance Capacity Building activities so that CDC has the assurance that these activities will be carried out to defined agreed outcomes and high standards.

8.2 Obviously negotiations have still to be finalised as part of the overall S106 package for the Phase 1 application but it is considered that that securing adequate funding to enable the early stages of governance at NW Bicester to function properly as well as allowing the effective transition through to Interim Partnership Board and the preparatory work for the fully fledged LMO (Stage 4) to be carried out is integral to the future success of the Organisation.

## **9. Conclusions**

9.1 Good progress is being made on establishing a clear and structured path towards setting up the LMO. Measures to simplify the administrative boundaries affecting NW Bicester are underway, the outcome of which will be known by 2015. Preliminary consensus between officers and promoters has also been achieved on the activities the LMO could carry out. An

internal group of officers from the 3 local authorities and representing the key affected service areas has been established, which will be a useful reference group to test the evolving proposals. Regular meetings between the promoters and officers has led to an increased momentum on this aspect of the project, with A2 Dominion now anticipating some collaborative working with the Young Foundation (experts in the field of community development best practice) to further develop the proposals.

- 9.2 However further work is needed to develop the activities highlighted in section 5 and in Appendix C -we need to start to understand the detail involved for the LMO in carrying out the agreed activities - for example when we say that the LMO could manage public open space, we need to understand what type of space will this be, what will be the amount, should some of it go to other agencies with specialist skills to manage etc.
- 9.3 Another key area of focus will be to establish the relationship between the new organisation and Bicester Town Council, assuming the anticipated boundary changes as set out earlier, come to fruition. It will be critically important to ensure the role and responsibilities of the new organisation are clearly defined and avoid duplication with what the Town Council deals with. One model of operation for the LMO may involve the organisation' s Board commissioning those existing organisations in the area that already have the expertise to deliver certain functions as lead partners.
- 9.4 The above progress is a good foundation on which to support the next key stage of the investigation, namely the Stage 1 business planning work, which should start to give all the partners critical information on the costs, risks and mitigations associated with setting up an LMO at NW Bicester. Once we have this information, we will be able to review the principle of setting up the LMO at NW Bicester and if it is still supported, start to refine its remit and make decisions over the next stage of the business planning work. It is also anticipated that some wider consultation on this area of the project with Bicester community groups and stakeholders will take place later this year.

## **10. Recommendations**

- 10.1 The Strategic Delivery Board (SDB) is recommended to note and endorse the approach set out in this report.