

Eco Bicester Strategic Delivery Board

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| Report title: NW Bicester Community Governance: Progress Update | |
| Author: Caroline Clapson (Eco Bicester Project Team) | |
| Tel: 01295 221828 Email: caroline.clapson@cherwell-dc.gov.uk | |

1. Purpose of Report

- 1.1 This report summarises the progress that has been made on developing the proposals for community governance at NW Bicester. It is a good time to provide this update for the SDB, given the approval of the exemplar planning application by CDC in July 2012 and the need for the applicant, A2 Dominion, to start providing CDC with information relating how the first stage of community governance could work in detail.
- 1.2 In this report, the term Local Management Organisation (LMO) is a generic term used to describe a locally focused, democratically accountable organisation with potential for representation from the 3 local authority tiers, which could ultimately be responsible for delivering the agreed functions within NW Bicester and potentially in time, if appropriate, 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.
- 2.2 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. Such vehicles are not a new idea but are experiencing renewed interest for their potential capacity to give new developments a social character and focus, which help new settlers to feel that they belong to a "place". It is a concept that is also a pragmatic response to reductions in public funding and in tune with the ideas enshrined in the Localism Act 2011 about community control of assets and local determination.
- 2.3 However there are 2 key challenges in all of this: firstly, organisations of this type are only as good as the people who participate in them and are only maintained successfully over time if there is sufficient and enduring community appetite for them to exist. Secondly, several of the more successful existing community governance organisations (e.g. Letchworth Heritage Foundation, Milton Keynes Parks Trust) were set up with generous endowments and / or assets which provide them with a stable source of income; the challenge for this project is to

ensure that any organisation is financially secure for the long term, in a time of current recession and lower development values.

- 2.4 A report to the July 2011 SBD described an indicative approach and timescale towards setting up an LMO for NW Bicester - in essence that it should proceed slowly and over 3 broad stages. It was considered that it should only move to the next stage of its evolution once it had demonstrated its effectiveness in dealing with the scope of its agreed remit at the earlier stage. A diagram at Appendix A to this report shows the key stages envisaged:

Stage 1 will take place around the time when the first dwellings on site start to become occupied - say 2013 / 2014. This is where A2 will generally take on the early management and service delivery role of the LMO, possibly reporting to a Board which would have representation from the existing Bicester and emerging NW Bicester community.

Stage 2 will occur as early as possible, but probably not before 200 dwellings have been completed - on current estimates, around 2015/2016 - 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 formally constituted LMO, which could 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.

Stage 3 will occur once there is the critical mass of new occupants who wish 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 near completion or 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 probably longer.

- 2.5 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.
- 2.6 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.
- 2.7 Underpinning this broad approach have been the following considerations:
- 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 have been establishing a process for setting it up and then trying to ensure the right amount of funding and assets are negotiated through the S106 agreements attached to any planning consents.
- Ultimately, whether a formally constituted 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.

2.8 This indicative approach was presented to the July 2011 meeting of the SDB and received support. It was also shared with and explained to representatives from A2 Dominion and P3 Eco who have agreed “that it is a sensible way forward”. It was also shared with and supported by the NW Bicester Community Governance Group of CDC, BTC and OCC officers.

2.9 In the light of this broad agreement on the way forward, the July 2011 meeting of the SDB approved that work should continue on a number of fronts integral to the setting up of the LMO. Over the past year progress has been made in the following areas:

- Embedding the staged approach to LMO set-up within the Phase 1 S106 agreement
- Stakeholder engagement on Community Governance
- Commissioning of the Stage 1 LMO Business Plan

2.10 The remainder of this report will focus on each of these in turn, before moving onto some concluding comments and suggesting the next steps.

3. Embedding the staged approach to LMO set up within the Phase 1 S106 agreement

3.1 An important role of the S106 agreement for the exemplar application has been to establish within the planning legal framework, the key foundation stones for how a future community governance organisation could be set up at NW Bicester. Of necessity it concentrates on the first 2 stages of the LMO - the A2-led management body (Stage 1) and the shadow board stage - the Interim Partnership Board (Stage 2), as there will not be the critical mass of people to support the formal setting up of the new LMO (Stage 3), nor sufficient development value to fund the endowment needed, from the 393 dwellings approved in the first application. Instead it is envisaged that the bulk of the funding for the fully fledged organisation will come from the S106 attached with any outline consent CDC grant for the full 5000 dwelling site. It will be this agreement that also will more properly contain the approach for how the final stage of the LMO could be set up.

3.2 The completed exemplar S106 agreement requires a number of important commitments from the applicants, most notably:

- That they need to provide and agree details with CDC relating to the running of the A2-led management body prior to implementation of the scheme (Stage 1) and;
- That they need to provide £100,000 to enable the Interim Partnership Board (Stage 2) 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 5 of this report).

3.3 Interestingly, several of the areas where CDC is seeking further information through the S106 are also the subject of keen interest from local stakeholders as evidenced through the various stakeholder engagement activities that A2 have commissioned throughout this past year. The next section of this report highlights some of the outcomes from this engagement.

4. Stakeholder Engagement on Community Governance

4.1 Although it is intended that the LMO will ultimately be a vehicle for newcomers to NW Bicester to participate in the running of their community, existing Bicester stakeholders have a definite role to play in help setting up the framework and participating in the early stages of the organisation. These types of organisations can take many years to get established, so it is right that engagement starts with key Bicester stakeholders, now there is an approved planning application for phase 1 of the site.

4.2 Up until this year, the focus on this element of the project had been largely been CDC led discussions with the applicants, CDC/OCC /BTC officers and members on the principle of setting up an LMO at NW Bicester and how it might evolve, in order largely to assist the progression of the Phase 1 planning application. However all parties have been conscious that very little had been done by way of engagement on the concept with existing Bicester stakeholders, and therefore there was no real evidence as to whether there would be sufficient interest from existing Bicester, never mind about NW Bicester in becoming involved in this new organisation.

4.3 Over the past year A2 Dominion (with CDC support and involvement), has led a programme of community engagement in Bicester in order to resolve this information gap and to find out what peoples' aspirations and concerns might be. In arriving at the answers, much has been learnt by all parties along the way.

4.4 The stakeholder engagement on the LMO has been carried out in 2 phases:

- i) 2 seminars conducted for invited Bicester stakeholders to discuss the broad concept of a Local Management Organisation
- ii) A series of one to one meetings with 19 individuals from stakeholders to discuss individual concerns and aspirations arising from the seminar discussions.

The outcomes of this engagement are presented in the brief summary reports included in Appendixes B and C attached to this report; the following paragraphs will highlight the salient points.

4.5 Concept Seminars

At the beginning of this year, A2 commissioned The Young Foundation to run a couple of seminars with Bicester residents and stakeholders. The Young Foundation was chosen by A2 for its long association with and understanding of what makes communities tick, through its worldwide research and practice. The attendees were drawn from the public, business, community and voluntary sectors operating in Bicester. The seminars took as their starting point some of the relevant priorities contained in the One Shared Vision - in particular *"encouraging people to have a say in the future of their town"* and *"making opportunities for local communities to own and govern community assets"*.

4.6 Seminar 1 held in February 2012 served as an introduction to the topic and focused on looking at the social life of new communities, case studies, and transferable practice for NW Bicester. Key points that emerged from the discussions include:

- The identity of NW Bicester should be integrated with Bicester as a whole.
- The new development should learn from the early Bicester pioneer residents.
- It needs a strong local leadership.
- New community facilities and services should be flexible so that they can adapt over time to the changing needs of the population and avoid over duplication of existing services.

4.7 Seminar 2 held a month later in March 2012 was intended to raise awareness of the emerging proposals for a LMO. Specifically it sought to scope the interest in participating in a LMO from existing Bicester stakeholders and identify early thoughts about how a LMO could benefit Bicester as a whole. Key points that emerged from these discussions include:

- The whole of Bicester should benefit as the LMO would help to integrate the new development with the existing community.
- A LMO could potentially deliver neighbourhood activities, create jobs, manage community facilities and open space, income generation and promote the principles of low carbon living.
- LMO board should start with a small core of people and A2 Dominion has a key role in creating a framework that allows LMO growth to be self sufficient and eventually managed by residents.
- Several participants expressed interest in being involved in the LMO.
- It needs to be made clear that a LMO would offer a mix of activities and value-added services that complement the existing services delivered by the local authority. There is apprehension regarding the potential for the duplication and competition for service provision.

4.8 Both seminars saw lively discussions where participants shared their ideas, concerns and aspirations for the creation of a Local Management Organisation to govern NW Bicester. It was agreed that the staged approach for the creation and implementation of a community governance structure is a sensible way forward and there was interest amongst many of the stakeholders present to be involved in an initial LMO steering group.

4.9 One to One Meetings

On the basis of the agreement amongst the participants of the workshops that local stakeholders should be involved in the early stages of developing an LMO at NW Bicester, A2 Dominion thought it would be useful to arrange some follow –up meetings. So during June and July of this year staff from A2 Dominion conducted a series of 1-1 interviews with key Bicester stakeholders. 19 people were interviewed from the political, community, voluntary, business and public sectors. A summary report provided by A2 on the views expressed by stakeholders is contained at Appendix C. Key points coming out of the discussions include:

- Stakeholders are positive about the concept of an LMO empowering people and believe the bringing together of the various sectors in Bicester will strengthen partnership work in the Town and promote local collaboration.
- The involvement of existing stakeholders early on has been viewed as a positive way to integrate NW Bicester with the Town.
- Concerns expressed include managing stakeholder involvement and personalities, using language that is meaningful and which people can relate to and finding the right balance of skills and influence for those involved.
- Several participants found it hard to envisage a LMO without seeing a similar model operating elsewhere and there are key concerns surrounding its structure, how it will complement existing structures rather than duplicating them, retaining enthusiastic participation over time and the exit strategy if it were to fail.

- There is a feeling that the mechanism for existing residents to get involved and the flexibility and accessibility of the model to adapt as NW Bicester residents move in, needs further consideration.
- Bicester Town Council appreciate that the LMO is well intentioned but consider that a structure should be set up around the existing Town Council to expand its services to all growth areas within the Town to ensure consistency of approach, democracy and provide wider benefits for the Town as a whole. They also consider that the LMO is being talked about too early and that it should grow organically with NW Bicester residents determining what it looks like.

4.10 Section 6 of this report considers the next steps arising from the points raised through these discussions.

5. Commissioning the Stage 1 Business Plan

5.1 Stage 1

Having started to answer the question about community interest and support, the next area of work aims to start to tackle the other big challenge on this element of the project - namely to start investigating the amount of funding needed and potential sources.

5.2 The purpose of the Stage 1 Plan is so that all the parties involved in progressing the planning proposals for NW Bicester, start to 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 could also influence thinking on how the LMO should develop.

5.3 This work has been jointly tendered and commissioned from consultants by CDC and A2 Dominion as the findings are of fundamental importance to both parties. The report is under preparation and at the time of writing is expected to be received early Autumn 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.

5.4 Specific anticipated outputs of this Stage 1 work will include:

- 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 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) An analysis of the financial risks and potential mitigations around the setting up of LMOs
- iv) An exploration of the potential benefits as well as possible disadvantages / risks around linking up the NW Bicester LMO with the existing Cherwell District Community Land Trust.
- v) A suggested approach (or approaches) which are best suited to provide financial robustness over the long term, with justification of the same.

5.5 Stage 2

A draft brief has also been prepared for a Stage 2 Business Plan which it had been envisaged that the Interim Partnership Board (Stage 2 of the LMO), would commission, however the timing of this is likely to be brought forward due to the need to have the detailed financial information sooner rather than later.

5.6 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.

5.7 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.

5.8 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.

6.0 Conclusions and Next Steps

6.1 Progress is continuing on laying the foundations for the successful setting up of an LMO for NW Bicester. The agreed staged approach to set up is now embedded within the S106 agreement for Phase 1 of the development. A Stage 1 Business Plan has been jointly commissioned with A2 and is anticipated to be received in the near future. This information will be critical in allowing all parties to start to understand how the LMO could be financed, what limitations there might be on its potential activities and how this issue might impact on the wider financial viability and masterplanning of the NW Bicester site.

6.2 Engagement of Bicester stakeholders by A2 has revealed initial support and interest in setting up an LMO. However there are also some concerns about the process for making the decisions as well as detailed concerns relating to structure, activities and how it would complement, not replicate existing democratic services. The point made by Bicester Town Council about letting NW Bicester residents determine what the organisation looks like, is a good one, which is largely difficult to disagree with. The whole point about having a staged approach to set up and not being too specific at this time about what the organisation could do, is precisely because if the organisation is to be a success and be sustainable over time, its direction and remit must largely be driven by the appetite of the new NWB occupants for getting involved.

6.3 However because it is likely that the bulk of the funding will be achieved through the planning system, we do need to start thinking about these issues now if we are not to miss the opportunities for securing the bulk of the funding through the S106 agreement. All we can do at this stage is provide the right framework for its evolution, largely through the Council's democratic processes (e.g. the forthcoming CDC Boundary Review in 2015/2016), and the planning system, through specifying a guaranteed level of funding through the S106 attached to any outline consent CDC might grant.

6.4 So - it is clear from the stakeholder engagement that people are generally ready to engage with the detail on this concept - at the same time there is recognition that we cannot and should not set too much of the detail in stone, in advance of NW Bicester folk having a say. There is an imperative however for A2 to start fleshing out the detail of how the first iteration of the organisation will work (the Stage 1 A2-led vehicle) as this will be in evidence over the first couple of hundred residential occupations at the very least, and may be for longer. It is also a requirement of the S016 agreement for Phase 1 of the development that these details are developed and submitted to CDC for approval.

6.5 A2 Dominion is currently envisaging a start on site later this year. Therefore discussions are underway with A2 Dominion on planning a series of focused discussions with interested stakeholders, precisely to start determining the detail of what the first stage of the LMO could look like - no further. The sort of matters that these workshops could cover are: who should sit on this early board, what the constitution should look like, what will be its early role and responsibilities, what training and support do people need to sit on such a Board, what are the appropriate behaviours for Board members etc. In reality, it is likely that the Stage 1 of the LMO will have a restricted level of activities largely focusing on a scrutiny role in terms of how A2 are carrying out their management of the site's public realm and the monitoring of eco

standards as well as potentially some direct responsibility for community engagement, events organising and dissemination of information about the new site.

- 6.6 These discussions are anticipated to be held later this year and early next year, with possible site visits arranged to other similar successful organisations that are up and running elsewhere in the country. It is hoped that this initial focus on Stage 1 of the organisation will help everyone involved start to understand and feel more comfortable with what is being proposed. Realistically it is unlikely we will collectively be in a position to start bottoming out what the LMO might do in its 2 and 3rd stages until we have started to understand the financial and legal issues associated with their set up. Although we will be receiving the Stage 1 results shortly which will start to provide some answers, further detailed studies will also be needed to be commissioned to inform future decisions about the potential direction of the LMO.
- 6.7 It is suggested that the SDB should be briefed following the conclusion of the A2 Dominion led discussions on the form of the Stage 1 organisation. The SDB should also be briefed on the initial findings of the Stage 1 Business Plan as well as being updated on the timing of the commissioning of further necessary studies to assist decision making on this aspect of the project. Alongside this more formal reporting, it is also proposed that CDC / A2 jointly publish some FAQs relating to the set up of an LMO for NW Bicester, to assist wider understanding of the aspirations and address some of the more common concerns.

7. Recommendations

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