



**CORPORATE &
ENVIRONMENTAL OVERVIEW &
SCRUTINY COMMITTEE**

MEMBERS UPDATE 2019/20

Issue:

4

Article of: Corporate Director of Place & Community / Corporate Director of Transformation & Resources

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SUBJECT: TAWD VALLEY DEVELOPMENTS – UPDATE REPORT

Wards affected: Borough wide

1.0 PURPOSE OF ARTICLE

1.1 To provide members with an update regarding Tawd Valley Developments Limited (TVD) and progress against the Business Plan.

2.0 BACKGROUND

2.1 Members will recall that in November 2019, a Members Update gave the latest position regarding the formation of Tawd Valley Developments and progress against the initial Business Plan.

2.2 This article provides a further update and progress made during the quarter October to January 2020.

3.0 PROGRESS UPDATE

3.1 Governance Arrangements

3.1.1 Members will be aware that TVD is operated through a Board of Directors, which has been established in line with standard corporate governance practices. Day to day operations are undertaken through an Executive Team of Company officers.

- 3.1.2 An interim team has been in place since January 2019, however permanent staff were appointed to the roles of Managing Director, Director of Development, and Director of Finance from January 2020. The Managing Director for TVD has already made connections with key staff from the Council with a view to strengthening relationships between the two organisations.
- 3.1.3 The Board of Directors is made up of four members. Two Council nominees, the Corporate Director of Transformation & Resources and the Head of Finance, Procurement & Commercial Services together with two independent members, who bring a wide range of commercial expertise to enhance governance arrangements and support board effectiveness.

3.2 TVD Activity this Quarter

- 3.2.1 TVD has procured development appraisal software and staff within the team have been trained to use the system. This is essentially a financial viability model which will ensure TVD can quickly and easily appraise development schemes and forecast Net Present Values, Investment Rate of Return and long term cash flows. Parameters will need to be agreed by Council officers to ensure only those schemes which are financially viable will be taken forward for development.
- 3.2.2 Company policies including financial regulations, standing orders, health & safety, procurement, governance, data protection, risk management, equality and diversity, use of ICT & social media, conflicts of interest, complaints and anti-money laundering were adopted by the board in October 2019.
- 3.2.3 Due to the pending changes to the Executive Management Team, a decision was taken not to go live with the website until final recruitment and appointments were made. In addition to this, it was agreed that planning permission for the phase 1 sites should be secured before launching the site. Therefore a revised target "go-live" date is April 2020.
- 3.2.4 Council officers and TVD have started work to agree a Master Development Agreement for the affordable housing units set out in the Business Plan. This will be an overarching document which will set out the obligations of both parties and the standards and conditions that will govern the developments. Similarly work has commenced on developing a precedent Section 106 Planning Agreement which should expedite procedures for future developments. It is expected that these will be agreed with both parties by the end of March 2020.
- 3.2.5 The Council's Housing Strategy & Development Programme Manager, together with TVD, met with Homes England early February and appraised them of the Council's new delivery vehicle. Over the coming months opportunities to access grant funding as a Homes England Investment Partner will be further explored. Any grant funding accessed will be aligned with the housing strategy, the HRA Business Plan and the asset management strategy.

3.3 Business Plan - Progress

- 3.3.1 TVD continue to work with the Council's planning officers and other stakeholders in relation to the 4 phase 1 sites. Members will recall the initial Business Plan included 77 new homes of which 29 were for market sale and 48 were new affordable homes for the Housing Revenue Account.
- 3.3.2 The work with the planning officers and other stakeholders has resulted in a number of scheme redesigns which have made improvements to the scheme layouts. This has however resulted in the loss of a number of units on some of the sites. The revision now includes 27 homes for market sale and 44 affordable homes, a total of 71 new homes.
- 3.3.3 The impact of these changes has been appraised and will be included in the Business Plan update which is scheduled to be considered by Council on the 26 February 2020.
- 3.3.4 It is expected that planning committee will make determinations of the 4 development sites in February and March 2020.
- 3.3.5 The technical design drawings for the phase 1 sites have been completed and a tender process has resulted in a number of contractors submitting tenders. These will need to be amended due to the scheme layout changes and then appraised before contracts are awarded. The development costs will now be reviewed using actual figures. This will provide a clearer position for the funding and assumptions and expected profits.
- 3.3.6 Members may recall that the phase 2 sites and property numbers were indicative in the initial Business Plan and work continues to determine which sites should be included and taken forward for development. Again the Business Plan update which is scheduled for February Council will have more detail.

4.0 CONCLUSIONS

- 4.1 Governance arrangements for TVD have been solidified with the appointment of the Company Executive Management Team. The Board of Directors have the right mix of experience and commercial expertise to ensure effective governance. This board will be further supported through an effective training programme.
- 4.2 Working with planning officers, the phase 1 sites have been redesigned. This has resulted in a reduction in units on some sites however, the redesigns will ensure the developments are in-keeping and sympathetic to the surrounding environment. Determinations of the planning applications for the four sites will be made by February and March 2020 planning committees.

4.3 Progress to identify and secure sites for phase 2 continues and details of this will be presented to Council in February 2020 as part of the annual Business Plan review.

5.0 SUSTAINABILITY IMPLICATIONS

5.1 Phase 1 will deliver high quality properties in Skelmersdale, which will help to satisfy housing demand in addition to delivering a financial return. This now includes 44 affordable homes which is in line with the Council's affordable planning policy.

6.0 FINANCIAL AND RESOURCE IMPLICATIONS

6.1 Initial equity funding has been paid to TVD in accordance with the Subscription Agreement to cover the operating costs of the company. In addition, initial loan funding has also been paid over in accordance with the Facilities Agreement to support the development of phase 1 sites. An updated Business Plan covering the period to 2024 will be reported to the Council meeting in February for approval.

6.2 The Council will commission the development of the affordable housing units using HRA borrowing and one for one capital receipts.

7.0 RISK ASSESSMENT

7.1 Commercial development activity carries risk that needs to be appropriately managed. The Council and TVD have appropriate risk management structures in place to manage these risks, however it is not possible to completely eliminate the potential for financial loss. TVD provides an opportunity to stimulate growth in the Borough by developing sites that otherwise may not be attractive to the market, and to achieve a financial return through dividends and premiums on lending.

8.0 HEALTH AND WELLBEING IMPLICATIONS

8.1 There are clear linkages regarding the health and wellbeing of individuals and the quality of their housing. The phase 1 sites will secure new, modern facilities for 71 households, thus providing the necessary environment to promote and support good health and wellbeing.

Background Documents

There are no background documents (as defined in Section 100D(5) of the Local Government Act 1972) to this Article.

Equality Impact Assessment

This article is for information only and does not have any direct impact on members of the public, employees, elected members and/ or stakeholders. Therefore no Equality Impact Assessment is required.

Appendices

None