



# Minutes

## Overview and Scrutiny Committee

Held at:	Council Chamber - Civic Centre, Folkestone
Date	Tuesday, 30 January 2018
Present	Councillors Miss Susan Carey, Clive Goddard, Ms Janet Holben, Mrs Claire Jeffrey (Vice-Chair), Mrs Mary Lawes (In place of Frank McKenna), Michael Lyons, Ian Meyers, Russell Tillson, Mrs Susan Wallace (In place of Peter Gane) and Mrs Rodica Wheeler
Apologies for Absence	Councillor Peter Gane and Councillor Frank McKenna
Officers Present:	Andy Jarrett (Head of Strategic Development Project), Sue Lewis (Committee Services Officer) and Julia Wallace (Masterplanning Project Manager)
Others Present:	Councillor David Monk, Leader, Councillor Mrs Jenny Hollingsbee, Cabinet Member for Communities and Councillor Dick Pascoe, Cabinet Member for Property Management and Environmental Health

### 72. **Declarations of Interest**

There were no declarations of interest.

### 73. **Delivering Otterpool Park and Otterpool Park Framework Masterplan (Part exempt)**

Report C/17/76 provides an update to Cabinet on a range of matters relating to the delivery of Otterpool Park. It sets out various options for delivering the council's objectives for Otterpool Park and also makes recommendations that the council should explore, including the option of forming a development company. It also provides an update on the budget for the project.

Andy Jarrett, Head of Strategic Development Projects informed that officers are now focusing on moving forward with delivery of the project and this report asks Cabinet to agree a number of recommendations to do this.

He explained that sitting behind the project is the question of return, ensuring that the project will be profitable. This is a new experience for the council as the project is far bigger in size, complexity and time to deliver than any previous project it has led. The Council has sought advice from a number of professionals because of this.

Mr Jarrett explained that there are always risks with projects of this size but these reduce over time with profit increasing, therefore, if the council meets all the necessary requirements it could give a commercial return that would then be put to use in other parts of the district. The financial objectives are shown in the papers attached but it was made clear that the council's finance team will monitor all aspects of the project. A report will be brought to Cabinet with a full financial and viability update in March 2018.

A number of delivery options have been put forward but the preferred option is to have a corporate joint venture which is typical of large scale, long term projects, therefore Cabinet is asked to agree that officers investigate this further.

Members asked a number of questions paying particular attention to the following:

- Importance of avoiding delay, and avoiding uncertainty and risk in selection of a delivery route.
- Profitability – it is still early stages and what degree of profitability the scheme will have will become known later but the signs are positive. Further details will be needed on how the whole district will benefit, but it is too early to be specific at this stage.
- Finance – all indications are good but the finance team will work alongside the project team and will monitor at all stages.
- Long term vision – guarantees cannot be made but officers informed that the council is in a good position, particularly as it is both the local planning authority and owns 50% of the land for the project, which gives more control.
- Benefit – the Council has backing from KCC through its application to the government's Housing Infrastructure Fund which can help deliver schools, surgeries and other facilities early.
- Stability against risk – the Council has stability and continuity therefore is desirable for partners, and has value in the land. Advice will be sought as a next step on how future JV arrangements can minimise risks from eg bankruptcy of a private sector partner.

A copy of the presentation given is attached to these minutes for information.

Proposed by Councillor Michael Lyons  
Seconded by Councillor Russell Tillson and

**Resolved:**

- 1. That report C /17/76 be received and noted with approval.**

(Voting: For 9; Against 0; Abstentions 1)

74. **Exclusion of the public**

Proposed by Councillor Russell Tillson  
Seconded by Councillor Michael Lyons and

**Resolved:**

**To exclude the public for the following item of business on the grounds that it is likely to disclose exempt information, as defined in paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972 –**

**‘Information relating to the financial or business affairs of any particular person (including the authority holding that information). “Financial or business affairs” includes contemplated as well as current activities.’**

(Voting: For 10; Against 0; Abstentions 0)

75. **Delivering Otterpool Park and Otterpool Park Framework Masterplan (Part exempt)**

Members were given an update on some of the land ownership aspects of delivering Otterpool Park.

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# Otterpool Park delivery

## Overview and Scrutiny Committee, 30 Jan 2018

# Purpose of Cabinet report

- To set out options for delivering Otterpool Park
- Seeking £350,000 to explore preferred option
- Consider option to form a development company
- Support for use of CPO powers should they be required
- Update on discussion with Homes England
- Otterpool Park to be represented at MIPIM by DIT



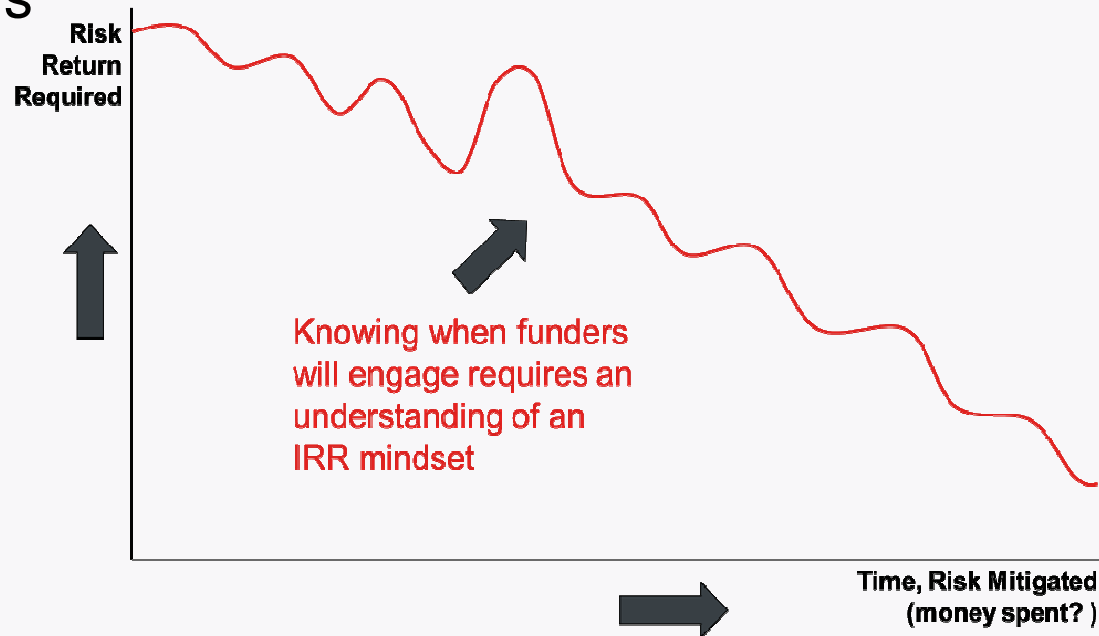
# Background

- Last landowner update to Cabinet 19 July 2017
- Long term stewardship Cabinet paper 18 Oct 2017



# Strategic developments – risk and return

- Otterpool Park is unlike any other project the council has embarked on in terms of size, complexity and time
- Advice sought from: Pinsent Masons, Arcadis and Hampshire CC/ Basingstoke and Deane District Council (Manydown Garden Town) Montagu Evans, Savills



Arcadis



# Commercial return

“the value or profit available after meeting all the requirements of the initial outline planning application and future reserved matter approvals and further planning permissions”.



# Otterpool Park Delivery - Corporate Plan objectives

## “More Homes”

- Create a new garden town at Otterpool Park

## “Achieving Stability”

- Explore alternative income streams
- Develop an investment strategy for the longer term
- Optimise the financial benefit from major developments



# Financial objectives

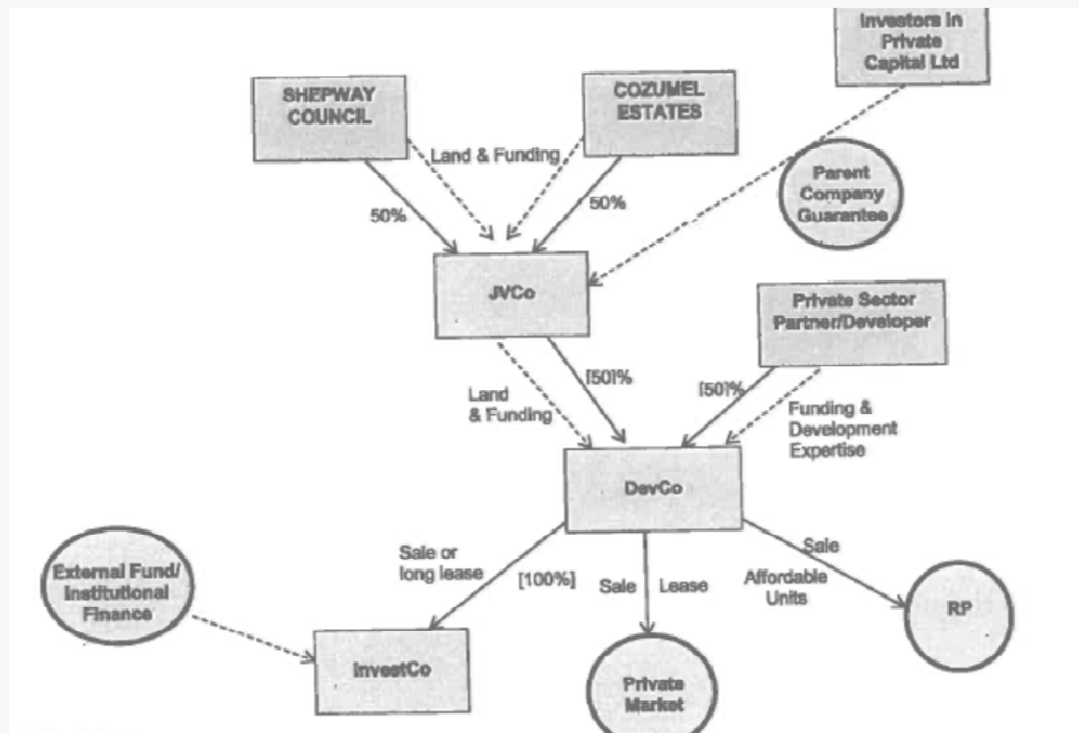
- Long term - generating revenue streams from commercial, retail and residential elements of the development.
- To recognise the need for early capital investment
- To create financial benefit for the whole district.
- The Garden Town to be financially sustainable.
- To maximise external funding in support of the project(public and private).
- To consider at each critical decision point the future financial model with an emphasis on affordability for the council.

# Delivery options

1. The council develops its own land independently;
2. The council develops acquires further land and develops independently;
3. The council sells its land interest to another party free for them to develop;
4. The council sells its land interest to another party subject to a development agreement;
5. The council sells its land interest by means of a conditional land sale agreement with an ability to re-acquire land in the event of failure to meet milestones;
6. A contractual joint venture agreement;
7. A corporate joint venture.

# Preferred option – corporate Joint Venture

- A corporate joint venture vehicle – either limited liability company (limited by shares) or a limited liability partnership.
- This does not commit the council to this option, but to explore it further.



# Corporate Joint Venture – why a preferred option?

Advantages including:-

- Shared costs and risks
- Joint control over delivery
- Liability is limited
- Simple exit from joint venture company if required
- Involvement at board and member level/shareholder
- Transparent profit sharing arrangement
- Directors have defined duties to the company
- Finance flexibility
- Profits can be distributed by dividend in case of a company
- Familiar model for the private and local government sectors



# Confidential annex

- Update on land acquisition
- Liaison with Homes England



# Next steps

- Commission financial, legal and commercial advice on corporate joint venture if selected as preferred option for further analysis
- Bring full financial and viability update to Cabinet
- Bring draft Framework Masterplan to Cabinet (March 2018)





# Questions and comments



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