

This Report will be made public on 12 October 2022

Report Number **C/22/40**

To: Cabinet
Date: 19 October 2022
Status: Key Decision
Responsible Officers: Ewan Green, Director - Place, Charlotte Spendley,
Director – Corporate Services
Cabinet Member: David Monk, Leader of the Council

SUBJECT: OTTERPOOL PARK – PROPOSED
COLLABORATION AGREEMENT WITH HOMES
ENGLAND

SUMMARY: The report seeks approval in principle to entering into a collaboration agreement with Homes England relating to the delivery of the Otterpool Park project.

REASONS FOR RECOMMENDATIONS:

Cabinet is asked to agree the recommendations in order that the Council and Otterpool Park LLP can proceed with detailed discussions on the collaboration agreement.

RECOMMENDATIONS:

1. To receive and note report C/22/40.
2. To agree the principle of entering into a collaboration agreement with Homes England as outlined in this report.
3. To receive a report on the details of the proposed collaboration agreement before making any final decision on the matter.

1. Introduction

- 1.1 Discussions have recently taken place with Homes England (the government's housing accelerator) with a view to securing investment from that body in Otterpool Park. This report sets out the basics of the principles of the agreement and seeks the cabinet's approval to the principle of OPLLP entering into a collaboration agreement with Homes England.
- 1.2 The board of Otterpool Park LLP (OPLLP) has considered the matter and passed the following resolutions: -
 1. *To recommend to the Council the principle of entering into a collaboration agreement as outlined in report No 29.*
 2. *To receive a further report on the details of the arrangements prior to making any recommendation to the Council on whether the agreement should be entered into.*
- 1.3 It should be noted that for OPLLP to enter into any such collaboration agreement it needs, under the Members' Agreement setting up OPLLP, the consent of the Council.

2. Draft Collaboration Agreement

- 2.1 Heads of terms are being discussed. They are very much in the formative stage and there are several major issues still to be decided. Nevertheless, the outline of the proposed arrangements can be described.
- 2.2 The Heads of Terms envisage Homes England acquiring land in the area of the Otterpool Park Garden Town. It has the resources and intention to do so. Once the land has been acquired, the costs and returns of the development will be shared in the proportion of land holding. This proportion could change if, for example Homes England buys further land. Historic costs already incurred by the OPLLP and the Council will be reimbursed by Homes England.
- 2.3 The costs and returns will be equalised across the site so, for example, no one area will bear the total costs of one piece of strategic infrastructure situated on its land.
- 2.4 Governance is an area that still needs to be finalised but it is envisaged that there will be a Project Executive Group made up of representatives of OPLLP and Homes England to oversee the development. What the exact role of this group will be and how it fits in with the existing governance arrangements, including the role of the Council in the collaboration agreement, still needs to be finalised. It is accepted that voting will be proportionate to the stake each party has in the project subject to the identification of key issues over which equal voting rights would be required. These matters have still to be decided and discussions are at an early stage.

3. Should the proposed collaboration agreement be pursued?

- 3.1 It is recommended that, in principle, the proposal is one the Council should pursue. A further report will be submitted on the details in due course. The matter will also be considered by the board of OPLLP as well. No final decision will be made prior to decision on the details.
- 3.2 The advantages to the council in delivering the project are several. First is that it brings in a body with experience and expertise in bringing forward large scale strategic sites and new settlements such as Northstowe, Burgess Hill and Ifield in the south east. Second there is a financial incentive and benefit of doing so. The acquisition of optioned land will relieve the Council and the LLP of the burden of acquiring certain areas of land, in addition there will be a multi-million-pound contribution towards early delivery of infrastructure. The offset to this is that OPLLP will have to share an estimated £245m of revenue. In summary, this reduces OPLLP's forecast profits by £56m, but the important thing is that sharing the profits share the financial risk and most importantly, it reduces peak debt to a level that falls within the approved budget. Third it will enable OPLLP to accelerate delivery of the project by enabling key infrastructure to be advanced sooner than would otherwise be possible.
- 3.3 It does mean, of course, that the returns to the Council will be reduced, but it is considered that the external investment, the sharing of financial risk, the expertise being brought in, and the ability to bring forward the development at a quicker rate outweigh reduction in forecast returns. Also, whilst the net land sales receipts will be shared the involvement of Homes England increases the overall gross revenue by virtue of acceleration of delivery and in turn lower levels of scheme costs through, for example, lower levels of interest payments. In other words, whilst the Council will be giving away a percentage of the pot the overall pot is increased through the involvement of Homes England.
- 3.4 Consequently the recommendations are that the principle of a collaboration with should be agreed with a further report on the details will be submitted early in the New Year.

4. RISK MANAGEMENT ISSUES

- 4.1 A summary of the perceived risks follows:

Perceived risk	Seriousness	Likelihood	Preventative action
Public sector body will not pursue their interest	High	High	Agree principles

5. LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

- 5.1 **Legal Officer's Comments (AK)**

There are no legal comments arising directly from this report. Legal advice/support should be sought at each stage of this project.

5.2 Finance Officer's Comments (CS)

Whilst there are no direct financial implications of this report itself, there are of course significant financial implications to be worked through in the coming months on the detail of the collaboration. However, the principle of a collaboration with such a partner would significantly reduce the financial exposure of the Council with regards to this project. It would enable the LLP to accelerate delivery of the scheme and would add significant value to the project more broadly. The costs of the scheme could be managed with a lower level of borrowing by the Council (& LLP) than could be achieved without the collaboration, which given the current volatility in the markets and rising interest & gilt rates would be welcome and provide further stability to the project. The Council has to manage its overall financial envelope and work within the Prudential Code when borrowing, the collaboration agreement presents a good opportunity to reduce the financial risks of this project, whilst still retaining a very significant return overall.

5.3 Diversities and Equalities Implications (GE)

There are no direct implications arising from this report.

5.4 Climate Change Implications (AT)

There are no direct implications arising from this report. Emissions from the development of Otterpool Park (construction, energy use, waste, water consumption, etc) will be determined by the specification of the buildings and facilities, as set out in the outline planning application currently being assessed by the council and subsequent detailed planning applications and legal agreements for individual phases.

6. CONTACT OFFICERS AND BACKGROUND DOCUMENTS

Councillors with any questions arising out of this report should contact the following officers prior to the meeting

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The following background documents have been relied upon in the preparation of this report:

None

