

This Report will be made public on 29 November 2021

Report Number: **OS/21/12**

To: Overview and Scrutiny Committee
Date: 7 December 2021
Status: Non Key
Responsible Officer: Ewan Green, Director of Place
Cabinet Member: Cllr David Monk, Leader of the Council

SUBJECT: OTTERPOOL PARK LLP DRAFT UPDATED BUSINESS PLAN

SUMMARY: This report presents the first annual update of the strategic business plan for Otterpool Park Limited Liability Partnership (LLP). The draft updated plan provides commentary on progress achieved to date and sets out the priorities and key milestones for the LLP over the next 12-18 month period. The report is presented to Committee for feedback ahead of Cabinet considering the draft updated Business Plan in January 2022.

RECOMMENDATIONS:

1. To receive and note report C/21/12.
2. Overview and Scrutiny Committee are invited to provide feedback on the draft updated Business Plan.

1. BACKGROUND

- 1.1 The Members' Agreement establishing Otterpool Park LLP sets out the process for the approval of the LLP's business plan. This requires that every 5 years the LLP submits its draft business plan to the council for approval. Within the 5 year period annual updates are also prepared and placed before the council for approval.
- 1.2 The first business plan was approved the Cabinet of the Council on 20 January 2021 (minute 75).
- 1.3 The agreed work plan for the Overview and Scrutiny Committee includes consideration of the updated business plan ahead of consideration by Cabinet.

2. DRAFT BUSINESS PLAN 2022

- 2.1 The draft updated Business Plan is attached as Appendices One and Two.
- 2.2 Whilst much of the plan remains as approved in January 2021, sections 4 to 11 have been substantially updated. The following provides a summary of the key changes by section:

4.0 LEGAL AND GOVERNANCE

Actions in 2021 have included amendments to the scheme of delegations and the approval of a staff handbook containing the human resources policies of the LLP. A Strategic Land Agreement and the method of procuring the on-site wastewater treatment works also secured Board approval. The Cabinet of the Council resolved that the Council should enter into the Strategic Land Agreement with the LLP and the Agreement will be completed shortly.

Supported by the new Head of Finance, the Board will continue to keep track of the LLP's financial performance and it will also consider Phase Delivery Strategies.

Proposals for long-term governance and stewardship of community assets will be prepared for Board and Council approval in the New Year.

5.0 RESOURCING STRATEGY

Updates to the Business Plan consider the human resource requirements of the LLP over the period 2021 – 2026.

The Board meeting of 19 February 2021 approved the secondments of six members of staff from the Council to the LLP. The LLP has been actively recruiting to further positions this financial year. This includes a Director of Construction and a Head of Finance, two vital senior positions. A Community and Events Manager has been appointed on a part-time basis and in addition

a Public Transport Lead has also been appointed on a secondments arrangement from the Council.

The Business Plan considers a comparison of operating models with other development companies. The LLP's onward resource strategy is based on a blended approach, utilising internal resource (seconded council staff and direct hires) along with a range of interim management, consultants and contractors appointed on a contract basis or through partnership arrangements. This will reflect the changing priorities, milestones and growth of the LLP and will be subject to continued review.

6.0 STAKEHOLDER RELATIONS

Engagement in Year 1 expanded beyond the masterplanning work to embrace a wider range of people. Covid restrictions led to innovation in the delivery of virtual engagements, including extensive engagement in the preparation of the phase 1 masterplan.

Strange Cargo, a local participatory arts organisation was commissioned to deliver learning and engagement activities within the community. Progress has been aided with the appointment of a Community and Events Manager (a part time post).

A programme of further community-focused initiatives and events is being prepared.

Political engagement is being deployed at a national level and sustained engagement with a range of Government departments will remain a key part of the engagement strategy.

The LLP is exploring a range of opportunities for working with local stakeholders and existing/future residents, for example ongoing work with parish councils on masterplanning phases of development.

Submission of the outline planning application is a key engagement touchpoint and a consultation event is in development. The strategy includes communications and engagement activities relating to planning application approval, subject to this being the case.

7.0 THE MARKET

BNP/Strutt & Parker have prepared updates to the Business Plan to assist the LLP with an understanding of the current development land market and wider housing markets within Kent and their opinion of values for Otterpool Park. They conclude that housing values, commercial values and land values remain equal to or above those reported in the Business Plan.

8.0 FINANCES

In the approved plan agreed in January 2021, profit was projected to be £193m over the lifetime of the project, with the project breaking even in the first 10 years. The pace and timing of these returns will be dependent upon a few decisions around infrastructure and funding to ensure that peak debt does not exceed the £75m working capital budget. Since approval of the Business Plan, time has been spent validating, aligning and refining the magnitude and the timing of cashflows. Key to this has been the move to have custom built financial appraisals developed by the team, to enable Management to forecast the impact of various scenarios. As a consequence, Management now have greater confidence in the forecasted cashflows. Having carried out this work the headline return has been reviewed and a profit of £240m - £270m is projected.

The FY22-23 budget of £7.5m will be spent upon design and planning fees in order to conclude the outline planning application and secondly to plan the construction phase that will start in FY24-25.

9.0 PLANNING STRATEGY

Modifications made to the Core Strategy Review were approved by Cabinet and have been subject to public consultation. It is anticipated that the Council will adopt the Core Strategy in early 2022.

The outline planning application for the scheme is being amended and it is anticipated that it will be submitted to the local planning authority in late 2021. Amended information will be subject to a further round of stakeholder and public consultation. If the application is approved by the Committee, it will then be necessary for the LLP and the LPA to agree and finalise a S106 legal agreement, with the aim that this will be completed by autumn 2022.

Planning progress with regard to community infrastructure includes the appointment of a curator to ensure that artists are embedded in the process of designing places and spaces, as part of a three-year action plan with Creative Folkestone. The action plan has been included in the budget for 2022/23 with commitment agreed in principle for subsequent years, but the programme of work will be reviewed and revised at the end of each financial year.

The LLP will prepare detailed proposals for the future use and development of Westenhanger Castle, the associated barns and its parkland setting.

Education provision within new schools is no longer the responsibility of the local education authority and the LLP is seeking advice from education specialists in order to meet its aspiration for schools.

The Kent and Medway CCG Estates Strategy (2021) notes Otterpool Park and sets out its intention to procure GP services for a new health facility in the town. The current preferred option is a multi-functional building within the town centre – a ‘market hall’ – that will host a range of functions on a

temporary basis until the town population grows enough for standalone facilities to be built.

10.0 INFRASTRUCTURE STRATEGY

For the remainder of FY21/22, focus will transition towards planned delivery of the earliest pieces of infrastructure in Phase 1 to coincide with a grant of planning consent. An Infrastructure Delivery Plan (IDP) has been created sets out the sequence of proposed infrastructure:

- October 2021 to March 2022: focus on planning new infrastructure, surveys and design development
- April 2022 to March 2023 (FY22/23): focus on detail design and construction procurement
- April 2023 to March 2024: Year 1 delivery
- April 2024 to March 2025: Year 2 delivery

The Business Plan sets out in full the detailed activities that are being planned in the final months of FY21/22, to prepare for the production of new information to support technical applications, Reserved Matters applications and applications to discharge planning conditions.

Following on from the predominately planning work undertaken during the last half of FY21/22, activity in FY22/23 focuses on design development to enable Reserved Matters and technical applications to be approved. These must be supported with more detailed information and coordination with housebuilders. At the same time a planning decision is expected, and planning conditions will be available.

In the final half of this period, the LLP expects to be preparing ground and delivering any priority utility diversions and improving construction access points. The racecourse stands will be demolished.

In April 2023 the LLP will commence delivery of the first pieces of infrastructure in accordance with approved details and discharged planning conditions.

In FY24/25 the LLP will continue to delivery enabling infrastructure in Phase 1.

11.0 LAND DISPOSAL STRATEGY

The land disposal strategy in the Business Plan remains sound and will be the basis of disposing of the land and ensuring its development. The strategy is based on the following principles and will be implemented by the LLP's agent BNP /Strutt & Parker:

- Formulate an appropriate marketing strategy on a parcel-by-parcel basis which will evolve to complement the market throughout the duration of future sales periods.
- Create a premium brand for the wider development which is consistent with the design parameters of the overall scheme.
- Oversee the production of comprehensive technical information packs relative for each parcel.
- Advice on early place making.
- Negotiate land sales and work alongside the wider legal team to successfully secure the completion of sales within targeted timescales.

Market testing for phase 1 has now formally commenced and it is anticipated that formal bids will be received over the next two months for consideration by the board in the New Year

2.3 Members are invited to provide feedback on the draft business plan updates.

3. RISK MANAGEMENT ISSUES

3.1 The strategic level risks are set out in section 12 of the Business Plan. A more detailed risk register, to operational level, is managed by the LLP. The strategic level risks are discussed at the Owners' meetings with the LLP Board and Council on a quarterly basis.

4. LEGAL/FINANCIAL AND OTHER POLICY MATTERS

4.1 Legal Officer's Comments (NM)

There are no legal implications arising directly from this report

4.2 Finance Officer's Comments (LW)

The financial implications to meet the LLP's planned work for the next year are outlined within the body of the report. The Council's existing Medium Term Capital Programme (MTCP) has a remaining budget provision for the Otterpool Park development of £74.8m, to be funded from prudential borrowing. The LLP has no independent source of funding (without prior consent of the Council) and funding will be provided to the LLP on a facility basis in accordance with the funding agreement which is currently being finalised.

The draft updated Business Plan shows the forecasted peak debt required by the LLP for working capital will be in 2025/26 and will range from £56.4m (best case) to £75m (worst case) with the base value being £64.7m. Should the LLP's peak debt be expected to exceed the budget of £74.8m in the MTCP then full Council approval will be required for this. However, it is encouraging to note that the net profit projected from the

development over its lifetime has increased from £193m to between £240m and £270m providing enhanced reassurance for the Council's investment in it. The Council's Medium Term Financial Strategy (MTFS) for the period to 2025/26 recognises interest income forecast to be accrued from loans planned to be made to the LLP.

The project is a fundamental element of the Council's medium to long term plan to being financially sustainable.

4.3 Diversities and Equalities Implications (GE)

There are no negative equality and diversity implications directly arising from this report. Virtual engagement sessions have taken place with a wide range of people in the first year and the Otterpool Park LLP are continuing to explore a number of future opportunities to engage with local stakeholders and residents on the master planning of future phases for Otterpool Park.

4.4 Climate Change Implications (OF)

There are no Climate Change Impacts arising directly from this report.

However the accompanying Otterpool Park Business plan would have the following climate change impacts:

Greenhouse gas emissions on travel, construction, running of buildings – overall climate change would be positive as several mitigating factors such as sustainable travel options, no gas supply to homes, blue green infrastructure etc. are being incorporated.

Waste, water consumption and pollution – climate change impacts should be positive as the business plan details mitigation measures such as waste water treatment facility, sustainable drainage systems (SUDs).

Resilience, conservation and wildlife - Otterpool Park is aimed at meeting the challenge of housing needs in Folkestone and Hythe and the business plan incorporates several mitigation factors to such as provision of homes for range of tenures, biodiversity net gain of up to 20%, applying guidance through design codes and tree planting which should result in overall positive impact on climate change.

Social and economic impacts - the business plan takes into consideration demographics, aging population and achieving high quality home designs and sustainable construction which should result in overall positive impact on climate change.

5 CONTACT OFFICERS AND BACKGROUND DOCUMENTS

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

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Appendices:

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| Appendix One | Draft Updated Otterpool Park LLP Business Plan |
| Appendix Two | Otterpool Park Vision (Business Plan - Appendix 1) |
| Appendix Three | Council Ambition for Otterpool Park (Business Plan - Appendix 2) |