

Document Reference 2.10S

Town and Country Planning Act 1990

Acquisition of Land Act 1981

Local Government (Miscellaneous Provisions) Act 1976

Inquiry into:

**THE COUNCIL OF THE CITY OF COVENTRY (CITY CENTRE SOUTH) COMPULSORY
PURCHASE ORDER 2022**

and

Town and Country Planning Act

Stopping-up of public highway

Summary of

Proof of Evidence

of

Tony Parker

of Hill Residential Limited

on behalf of the Council of the City of Coventry

29th December 2022

1. INTRODUCTION

- 1.1 I, Tony Parker, am the Finance Director at Hill Residential Limited (“**HRL**”), a subsidiary company of the Hill Group. I have overall responsibility for the funding of the project known as Coventry City Centre South (CCS) (the “**Scheme**”). It is my role to ensure that there is sufficient funding made available to deliver the Scheme. These responsibilities include ensuring that the scheme becomes a “Charged Property” under the terms of our Revolving Credit Facility (“**RCF**”).
- 1.2 I joined the Hill Group in April 2009 as Group Financial Controller and was promoted to my current role in September 2011. I report to our Group Chief Executive with a secondary line of reporting to our Group Finance Director. Prior to this, I was Divisional Finance Director for Kier Residential (then part of Kier Group plc from 2006 to 2008) and employed by KPMG from graduation in 1993 to 2006 where I was a Senior Manager in its Real Estate and Construction Audit, Advisory and Transaction Services practices.
- 1.3 I hold a Bachelor of Science Degree from The University of Warwick and am a Fellow of The Institute of Chartered Accountants in England and Wales, having achieved Chartered status in 1996.
- 1.4 Alongside my responsibilities in relation to the Scheme, I am responsible for all corporate funding decisions for the Hill Group. This involves refinancing our RCF, which was last refinanced in December 2021 for a period of five years at £220m.

2. FUNDING OF THE SCHEME

- 2.1 The Hill Group is a financially robust and well capitalised group, now the second largest family-owned housebuilder in the UK, achieved in just 22 years.
- 2.2 The Group’s balance sheet sits at over £300 million with a net cash position of £100m.
- 2.3 The financial strength is founded upon the principle of reinvesting the significant majority of annual profits back into the business.
- 2.4 The Group did not need to negotiate any relaxation of banking covenants with existing lenders during the Covid-19 pandemic. None of the UK Government’s backed loans available to support businesses during that period were utilised.
- 2.5 The Group utilises a RCF which has been established since 2015. The RCF has an overall available commitment of £220 million.
- 2.6 A clear funding strategy is in place for the Scheme, with HHL being the Approved Funder as defined by the DA.
- 2.7 A prudent approach has been taken to our assumed interest rates within the Scheme’s financial appraisal.

3. SPRL

- 3.1 HRL were selected as preferred funding and delivery partner for the Scheme by Shearer Property Group in February 2022, following a competitive open marketing process.
- 3.2 Subsequently, HRL acquired a 33.3% shareholding from SPG in SPRL, a special purpose vehicle company set up to deliver the Scheme. HRL will have a controlling interest in SPRL over time, with HRL having the ultimate controlling decisions.
- 3.3 To date, HRL has invested £4 million into the Scheme, with further committed expenditure.

4. FUNDING AGREEMENT

- 4.1 HHL will provide all funding required for the Scheme and have the capacity to do so.
- 4.2 The Council have approved the Heads of Terms for the funding agreement in accordance with the executed Development Agreement.

5. WEST MIDLANDS COMBINED AUTHORITY GRANT FUNDING

- 5.1 The WMCA remain committed to supporting the delivery of the Scheme, with £98.8 million in Grant funding available.

6. COVENTRY CITY COUNCIL FINANCIAL CONTRIBUTION

- 6.1 In accordance with provisions within the Development Agreement, a financial contribution request was made to the Council by SPRL.
- 6.2 This followed an assessment of the Refined Scheme's viability, with the provision of 20% affordable housing.
- 6.3 SPRL formally requested £32,750,000 in Viability Gap funding from the Council pursuant to the DA to support the delivery of CCS.
- 6.4 SPRL has worked closely with the Council and its advisor Deloitte LLP to ensure the Viability Gap request was robust, with sufficient supporting information.
- 6.5 The Council approved the Viability Gap request at its Cabinet Meeting on 15th November 2022 and Full Council on 6th December 2022.

7. SCHEME VIABILITY

- 7.1 The current profit return within the appraisal for the Scheme, based on the Refined Scheme, is reflecting an approximate 12.3% profit return on net development costs.
- 7.2 The appraisal submitted alongside the Viability Gap funding request has been supported by both SPRL's in house expertise, alongside external consultant advice.
- 7.3 The construction costs have prepared by HPL. Rates have been benchmarked against projects of a comparable scale and quality it either has or is in the process of delivering. An external consultant has validated the cost plan.
- 7.4 A detailed three stage affordable housing tender was undertaken by SPRL. This has resulted in two Registered Providers being shortlisted.
- 7.5 Two key grant funding streams are included within the appraisal required to support the delivery of CCS.
 - WMCA Funding: £39,067,591 as part of the £98.8m funding package towards the scheme.
 - Coventry City Council Funding: £32,750,000.
- 7.6 Although the currently projected profit margin does not reflect the Development Agreement profit on cost target return, the 12.3% profit return still represents a very significant sum in the context of the Scheme, and a profit return which sits within the Hill Group's range of targets. SPRL intends to proceed on this basis if required but is working towards further enhancement of the profit margin nonetheless as indicated.

8. CONCLUSION

- 8.1 My proof of evidence clearly demonstrates that the Scheme is funded and considered viable with further viability enhancements being worked through.
- 8.2 It is therefore considered that there is clearly a reasonable prospect of the Scheme proceeding and the Hill Group and SPRL are committed to its delivery.