



Shropshire Council
Legal and Democratic Services
Shirehall
Abbey Foregate
Shrewsbury
SY2 6ND

Date: Wednesday, 8 March 2023

Committee: Housing Supervisory Board

Date: Thursday, 16 March 2023

Time: 2.00 pm

Venue: Shrewsbury/Oswestry Room, Shirehall, Abbey Foregate, Shrewsbury, Shropshire, SY2 6ND

You are requested to attend the above meeting.

The Agenda is attached.

There will be some access to the meeting room for members of the press and public, but this will be limited. If you wish to attend the meeting please email: democracy@shropshire.gov.uk to check that a seat will be available for you.

Please click [here](#) to view the livestream of the meeting on the date and time stated on the agenda

The recording of the event will also be made available shortly after the meeting on the Shropshire Council Youtube Channel [Here](#)

Tim Collard
Assistant Director - Legal and Governance

Members of Housing Supervisory Board

Robert Macey (Chairman)
Vince Hunt (Vice Chairman)
Jeff Anderson
Julian Dean
Ruth Houghton

Simon Jones
Heather Kidd
Tony Parsons
Dan Thomas

Your Committee Officer is:

Shelley Davies Committee Officer

Tel: 01743 257718

Email: shelley.davies@shropshire.gov.uk

AGENDA

1 Apologies for Absence and Substitutions

2 Disclosable Pecuniary Interests

Members are reminded that they must declare their disclosable pecuniary interests and other registrable or non-registrable interests in any matter being considered at the meeting as set out in Appendix B of the Members' Code of Conduct and consider if they should leave the room prior to the item being considered. Further advice can be sought from the Monitoring Officer in advance of the meeting.

3 Minutes (Pages 1 - 4)

To confirm the minutes of the Housing Supervisory Board meeting held on 1st December 2022.

Contact: Shelley Davies on 01743 257718

4 Public Question Time

To receive any questions or petitions from the public of which notice has been given. The deadline for notification for this meeting is 5.00 pm, Friday 10th March 2023.

5 Member Question Time

To receive any question of which Members of the Council have given notice. The deadline for notification for this meeting is 5.00 pm, Friday 10th March 2023.

6 Cornovii Developments Limited - Update Report (Pages 5 - 12)

To receive the Cornovii Developments Limited Update Report from the Assistant Director, Homes and Communities. [Report attached]

Contact Jane Trethewey

7 Summary of Cornovii Developments Limited 2023 Business Plan (Pages 13 - 26)

To receive the Summary of Cornovii Developments Limited 2023 Business Plan from the Assistant Director, Homes and Communities. [Report attached]

Contact Jane Trethewey

8 Exclusion of the Press and Public

To resolve in accordance with the provisions of Schedule 12A of the Local Government Act 1972 and Paragraph 10.4[3] of the Council's Access to Information Procedure Rules, the press and public be excluded during consideration of the following item.

9 Exempt Minutes (Pages 27 - 28)

To confirm the exempt minutes of the Housing Supervisory Board meeting held on 1st December 2022.

10 Cornovii Developments Limited - Exempt Items Update Report (Pages 29 - 44)

To receive the Cornovii Developments Limited Exempt Items Update Report from the Assistant Director, Homes and Communities. [Exempt report attached]

Contact: Jane Trethewey

11 Cornovii Developments Limited 2023 Business Plan (Pages 45 - 72)

To receive the Cornovii Developments Limited 2023 Business Plan from the Assistant Director, Homes and Communities. [Exempt report attached]

Contact: Jane Trethewey

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Committee and Date

Housing Supervisory Board

16th March 2023

HOUSING SUPERVISORY BOARD

Minutes of the meeting held on 1 December 2022

In the Shrewsbury/Oswestry Room, Shirehall, Abbey Foregate, Shrewsbury, Shropshire, SY2 6ND

2.00 - 3.05 pm

Responsible Officer: Shelley Davies

Email: shelley.davies@shropshire.gov.uk Tel: 01743 257718

Present

Councillor

Councillors Vince Hunt (Vice Chairman), Jeff Anderson, Heather Kidd, Tony Parsons and Duncan Kerr (Substitute for Julian Dean)

25 Apologies for Absence and Substitutions

In the absence of the Chairman, the meeting was chaired by the Vice-Chairman, Councillor Vince Hunt.

Apologies for absence were received from Councillors Julian Dean (Substitute: Duncan Kerr), Simon Jones, Robert Macey and Dan Thomas.

26 Disclosable Pecuniary Interests

None were declared.

27 Minutes

RESOLVED: That the minutes of the meeting held on 15th September 2022 be approved as a true record and signed by the Chairman.

28 Public Question Time

There were no public questions.

29 Member Question Time

There were no member questions.

30 Cornovii Developments Limited - Update Report

Members received the report of the Assistant Director Homes and Communities which gave an update from Cornovii Developments Limited (CDL) on the company's progress against the approved 10-year Business Plan.

The Assistant Director Homes and Communities introduced the report and referred to Appendix A which provided detail of the company's activity to the end of September 2022.

The Managing Director of CDL reported that the newly appointed developer at the Ellesmere Wharf development had now completed a number of critical tasks and work on the foundations would start in the new year.

In response to questions the Managing Director of CDL, confirmed that the 33 properties sold at the Frith site were all sold 'off plan' and noted the challenges currently facing developers. He explained that although there had been a downturn in the housing market, the Northwest and West Midlands had not been hit as hard as London and the Northeast.

RESOLVED: That the report be noted.

31 **Cornovii Developments Limited Board Away Day - Feedback**

The Managing Director of CDL thanked everyone who attended the Away Day and stated that he had received some good feedback.

The Vice-Chairman noted that it was a good opportunity to showcase progress to date and also to understand the future issues facing CDL.

32 **Cornovii Developments Limited Membership Update**

The Managing Director of CDL reported that there was a vacancy on the CDL Board due to a member of staff leaving Shropshire Council.

33 **Exclusion of the Press and Public**

RESOLVED: That in accordance with the provisions of Schedule 12A of the Local Government Act 1972, and paragraph 10.4(3) of the Council's Access to Information Procedure Rules, the press and public be excluded during consideration of the following items.

34 **Exempt Minutes**

RESOLVED: That the exempt minutes of the meeting held on 15th September 2022 be approved as a true record and signed by the Chairman.

35 **Cornovii Developments Limited - Exempt Items Update Report**

Members received an exempt report from the Assistant Director Homes and Communities.

RESOLVED: That the report be noted.

36 Collaborative Working with Shropshire Towns and Rural Housing

The Assistant Director Homes and Communities provided a verbal update in relation to collaborative working with Shropshire Towns and Rural Housing.

RESOLVED: The update was noted.

Signed (Chairman)

Date:

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<u>Committee and Date</u>
Housing Supervisory Board
16 th March 2023

<u>Item</u>
6
Public

Cornovii Developments Limited Update Report

Responsible Officer Jane Trethewey

e-mail:	Jane.trethewey@shropshire.ov.uk
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1. Synopsis

The purpose of this report is to update the Housing Supervisory Board on the progress of Cornovii Developments Limited against its approved 10-year Business Plan. The report shown at Appendix A provides detail of the Company's activity to the end of December 2022.

2. Executive Summary

- 2.1. The report in Appendix A provides the Housing Supervisory Board with an update from Cornovii Developments (CDL) on the Company's progress against the Business Plan which was approved by the Housing Supervisory Board on 31 March 2022.
- 2.2. The quarterly monitoring report provides detail on the progress against the approved Business Plan, giving updates on the Company's approved schemes at Ellesmere Wharf and Ifton Heath, to include investment in contractors and sub-contractors from a Shropshire postcode, detail of average EPC and carbon savings, employment and training opportunities created through CDL activity and number of educational settings supported by CDL.

3. Recommendations

- 3.1. That the Housing Supervisory Board receives the CDL Quarterly Monitoring Report in accordance with the terms of the Shareholder Agreement

REPORT

4. Risk Assessment and Opportunities Appraisal

- 4.1. A Risk Register is monitored by the Homes and Communities Team along with the CDL Monitoring Board. The Register covers the risks for the Council in its capacity of single shareholder of CDL.

5. Financial Implications

- 5.1. The CDL developments schemes are being delivered within the terms of the approved Shareholder Agreement and loan funding arrangements.

6. Climate Change Appraisal

- 6.1. All homes at Ifton Heath will have an EPC rating of A (SAP 2012) compared to building regulations that require an EPC rating of C, producing a carbon saving of 2.90 tonnes per year in comparison to a property with an EPC rating of C.
- 6.2. All new homes at Ellesmere Wharf will have an EPC rating of A (SAP 2012) producing a carbon saving of 2.93 tonnes per year in comparison to a property with an EPC rating of C.
- 6.3. The homes at Ellesmere Wharf do not benefit from any additional carbon off-setting measures over and above the landscaping measures approved at planning. The Ifton site is to benefit from the planting of additional trees.
- 6.4. At Ellesmere Wharf and Ifton Heath developments the flood risk assessment undertaken for demonstrated that there is no risk of a 1 in 100 + 30year flood event, which was also demonstrated by the Engineer's drainage calculations. Rainwater goods have been sized by the Architect to capacities required by Building Regulations. The homes at Ellesmere Wharf scheme are generally situated on a NE/SW axis, with principal rooms situated in that axis, to prevent extreme heating and extreme cooling. Ifton Heath plots 1-17 are situated on a NW/SE axis, with principal rooms situated on that axis. All other plots are on a NE/SW axis, however, all principal rooms are positioned to limit solar gain and heat loss.

7. Background

- 7.1. In accordance with the terms of the Shareholder Agreement CDL is required to report to the Shareholder via the Housing Supervisory Board at quarterly intervals in the operations and performance of the Company in meeting unmet housing need and on the objectives contained within the Business Plan, and otherwise keep the Shareholder informed of the progress of the Company.

- 7.2. On 31 March 2022 the Housing Supervisory Board approved CDL's 10-year Business Plan which set out its aims to deliver 728 homes over the plan period. The current forecast estimates delivery of 736 homes.
- 7.3. To date CDL has completed 33 new homes at its development, The Frith. CDL is currently onsite at Ifton Heath and Ellesmere Wharf with 58 homes under construction. The quarter 3 forecast estimates 19% of the 736 homes to be delivered will be affordable. This compares with a planned amount of 19% (138/728)
- 7.4. Through its Social Value objectives CDL is meeting targets set by its Board of Directors to invest in local contractors and subcontractors, offer employment and training opportunities, and to support, by its activities, educational settings within the locality of its development sites.
- 7.5. As part of its contract requirements, CDL expects its contractors to provide training and development opportunities. On CDL's active sites, Ifton and Ellesmere six apprentices have been supported to date. Further to this CDL are also supporting educational settings within the localities of their developments, in Ellesmere, CDL will be engaging with Welshampton Primary School and in Ifton Heath CDL and the contractor are currently engaging with St Martins School.

8. Additional Information

- 8.1. The progress of CDL against its Business Plan continues to be satisfactory.
- 8.2. The performance of CDL is also monitored by the Council's Homes and Communities Team, with further oversight being provided the CDL Monitoring Board, formed of a group of Officers from various departments across the Council.

9. Conclusions

- 9.1. The Housing Supervisory Board is asked to receive the CDL update report on the Company's delivery against its Business Plan and note its progress in respect of its approved schemes at, Ellesmere Wharf and Ifton Heath.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)

Cabinet Member (Portfolio Holder)

Cllr Dean Carroll - Portfolio Holder for Growth and Regeneration

Cllr Robert Macey - Chair of Housing Supervisory Board

Local Member

N/A

Appendix A - CDL update report

Cornovii Development Ltd Quarter Three Monitoring Report Public

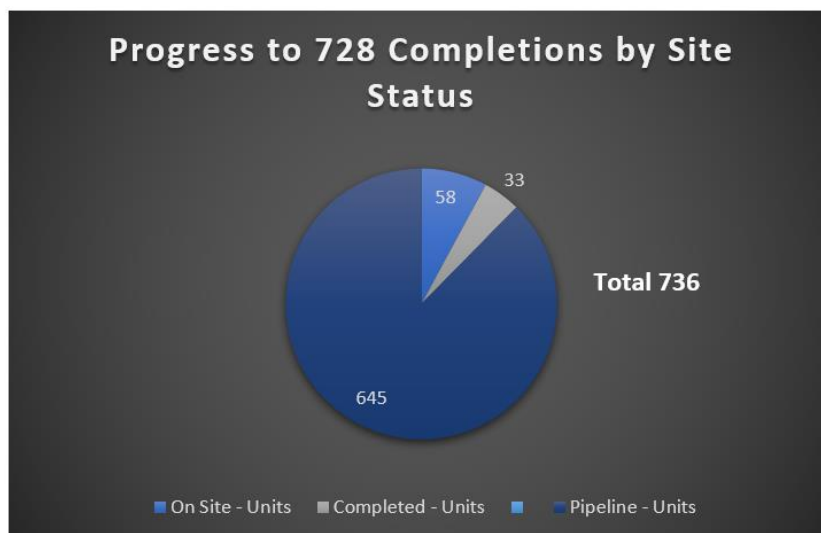
1 Purpose of the report

1.1 The purpose of the Monitoring Report is to update Housing Supervisory Board members on Cornovii Development Limited CDL activity to the end of December 2022.

2 Development Summary

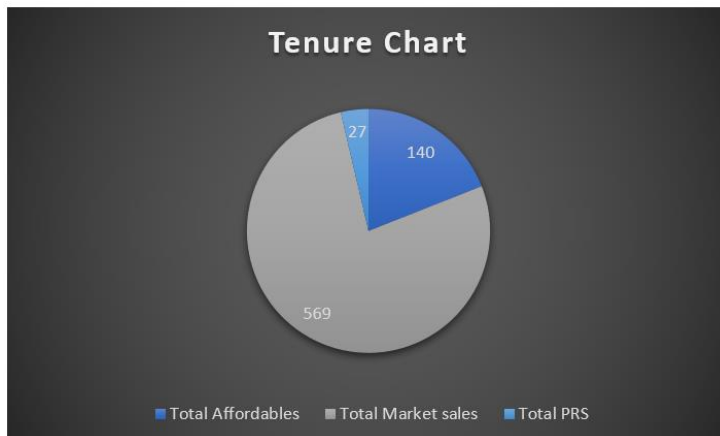
2.1 A total of 9 schemes were approved in the March 2022 Business Plan. The business plan aims to deliver a total of 728 new homes during the life of the business plan. The charts and tables below report on progress against this business plan.

2.2 Fig. 1 - Progress to 728 completions in accordance with the approved business plan:



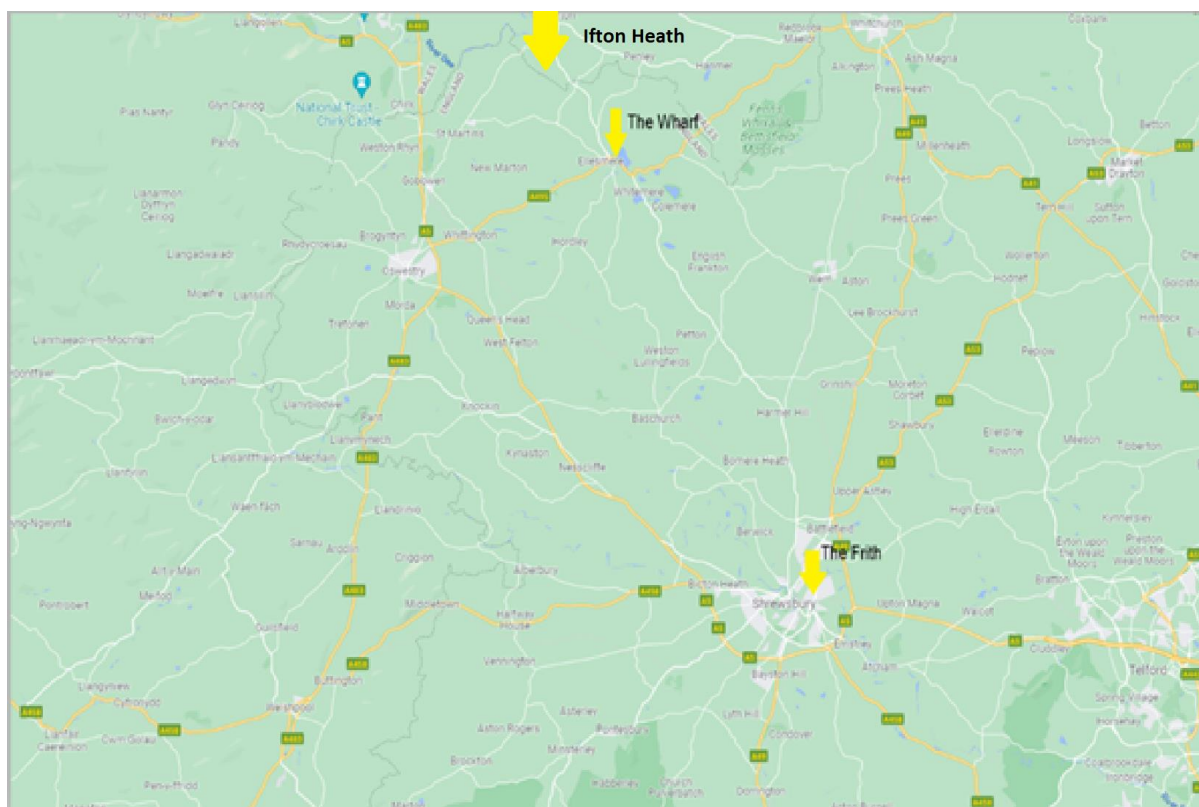
N.B. The number of units forecast has increased since the plan was approved.

2.3 Fig. 2 - Tenure chart approved schemes :



The Q3 forecast estimates 19% of the 736 homes to be delivered will be affordable. This compares to a planned amount of 19% (138/728)

2.4 Map 1: – Location of sites across the county (approved schemes only)



3 Social Value

3.1 CDL are currently investing in the following percentage of contractors and subcontractors from a Shropshire postcode on current on site schemes:

- The Frith – 100%
- Ifton Heath – 65% to date
- Ellesmere Wharf – 71% to date

3.2 Average EPC and carbon savings:

- The Frith – EPC rating A (SAP 2012). Carbon savings of 2.86 tonnes/yr in comparison to a property with an EPC rating of C.
- Ellesmere Wharf – EPC rating A (SAP 2012). Carbon savings of 2.93 tonnes/yr in comparison to a property with an EPC rating of C.
- Ifton Heath - EPC rating A (SAP 2012). Carbon savings of 2.90 tonnes/yr in comparison to a property with an EPC rating of C.

3.3 Employment & training:

- Ifton Heath & Ellesmere Wharf – Six apprentices have been supported on site to date.

3.4 Number and detail of Education settings supported by CDL activities:

- Ellesmere Wharf – CDL will be engaging with Welshampton Primary School.
- Ifton Heath – CDL and the contractor are currently engaging with St Martins School.

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<u>Committee and Date</u>
Housing Supervisory Board
16 th March 2023

<u>Item</u>
7
<u>Public</u>

Summary of Cornovii Developments Limited 2023 Business Plan

Responsible Officer	Jane Trethewey
e-mail:	Jane.trethewey@shropshire.gov.uk

1. Synopsis

The purpose of this report is to present to the Housing Supervisory Board, Cornovii Developments Limited (CDL) 2023 summary Business Plan, shown at Appendix 1.

2. Executive Summary

- 2.1. This report brings forward a summary of the CDL 2023 Business Plan to the Housing Supervisory Board for consideration and comment. The information contained within this report presents a summary of the Business Plan, which omits all commercially sensitive information, which if disclosed publicly would impact on the ability of the Company to trade successfully. The full Business Plan is presented to the Housing Supervisory Board as an exempt item for approval in accordance with the terms of the Shareholder Agreement.
- 2.2. The Business Plan outlines CDL activity over the plan period 2023-2032, during which period the Company aims to deliver 736 homes, of which 140 will be affordable tenures (rent or shared ownership) across 10 schemes throughout Shropshire. This is an increase of 8 units on the 2022 business plan.
- 2.3. All projects in the business plan exceed the agreed shareholder return margin and will be funded by loans from Shropshire Council on commercial lending terms. A total of £123m is to be invested in development activity over the period.
- 2.4. The majority of CDL homes delivered under this Business Plan will meet the following standards
 - CDL is working towards all homes being built to Future Homes Standards which will result in all homes adopting 'fabric first' principles, with renewable technologies at EPC rating B (Environmental Impact Assessment rating A) and will be 75% above existing building regulations
 - CDL is exploring options to move all properties from gas heating to electric renewable heating

- All CDL homes will meet National Described Space Standards and will be built to M4(2) compliance where possible
- CDL will deliver a net gain biodiversity across all our development sites
- All CDL homes will be tenure blind

3. Recommendations

- 3.1. The Housing Supervisory Board is asked to receive the Summary of the CDL 2023 Business Plan, noting the Company's proposal to enter into the Private Rented Market, and to provide comment and feedback as to whether the plan to meets Shareholder requirements.

REPORT

4. Risk Assessment and Opportunities Appraisal

- 4.1. The 2023 Business Plan will deliver 736 new homes across 10 schemes, funded by loans provided by Shropshire Council, increasing the output of the Company from the previous Plan.
- 4.2. Performance of the Business Plan is monitored by CDL's Board of Directors and is the subject of a comprehensive risk register which is reviewed by the CDL Board on a quarterly basis. Sensitivity analysis has been undertaken on the 2023 Business Plan to understand the level of risk in relation to build cost, interest rates and income, the three cost categories in the plan, most exposed to wider economic forces. This process of analysis is repeated regularly with outcomes to be reported to the CDL Board and Housing Supervisory Board.
- 4.3. In addition to the monitoring of the Business Plan by the CDL Board and the Housing Supervisory Board, the CDL Monitoring Board, made up of officers from departments across the Council, meets on a quarterly basis to review the activity of CDL, supported with further oversight by the Homes and Communities Team. A Risk Register, which covers risk to the Council in its role as Company Shareholder, is monitored by the CDL Monitoring Board and the Assistant Director of Homes and Communities and the Client and Commissioning Manager.
- 4.4. The proposed Business Plan will be delivered within the terms of the Shareholder Agreement and approved loan funding arrangements.

5. Financial Implications

- 5.1. Full financial details pertaining to the 2023 Business Plan, to include proposals to develop homes for private rent, are contained within the associated Exempt Report.

- 5.2. The Business Plan will be financed by loans provided by Shropshire Council on commercial terms. The performance of the company against the terms of the loan are monitored by Shropshire Council's Finance Department, with quarterly meetings scheduled.
- 5.3. All requests for loan drawdowns are approved by the Executive Director of Resources and subject to a viable Development Appraisal, approved by CDL's Board of Directors.
- 5.4. The 2023 Business Plan will deliver a return to the Council in line with stated expectations. With a total of £123m is to be invested in development activity over the period.
- 5.5. The peak debt within the Plan period reaches £37.51m in February 2026 for new build activity. This increases to £41.596m in the same month with the addition of the private rented cashflow. This is within the overall funding availability (subject to agreement to restate the current funding arrangements) and below the Company's rules which requires 7.5% headroom is left available within the loan capacity at all times.

6. Climate Change Appraisal

- 6.1. *Energy and fuel consumption.* In order to facilitate carbon reduction and energy efficiency, the projects contained within the Business Plan will capitalise on sustainable design solutions, use processes and materials that are not detrimental to the environment and ensure that post-construction operations are environmentally friendly. Carbon savings from design measures will be quantified wherever possible.
- 6.2. *Renewable Energy Generation.* There are a range of opportunities for the generation and storage of renewable energy from building mounted solar panels and battery energy storage, which will be incorporated into the design of homes where possible.
- 6.3. *Carbon offsetting or mitigation.* Designs of schemes within the Business Plan will incorporate tree planting and landscaping to support carbon capture and storage, biodiversity, natural flood management and urban cooling. CDL will also aim to deliver a biodiversity net gain across all development sites within the business plan.
- 6.4. *Climate Change adaptation.* It is anticipated that the homes will be designed in a way which is sympathetic to the climate using materials and construction methodologies that reduce the emission of carbon into the atmosphere and also ensure homes are protected from overheating.

7. Background

- 7.1. CDL was incorporated in 2019 by Shropshire Council to meet unmet housing need across the County. Since its establishment CDL has successfully developed a pipeline of sites for delivery of homes and is currently on site with two schemes, having completed development at its first scheme, The Frith.
- 7.2. The 2023 Business Plan presented to the Housing Supervisory Board demonstrates the continued growth of the Company, which during the Plan period will see the development of 736 new homes, 563 market sale, 33 for private rented and 138 affordable homes.
- 7.3. The approval of the Company's Business Plan requires Shareholder Consent under the terms of Shareholder Agreement. The Housing Supervisory Board, acting as Shareholder in respect of matters requiring Shareholder Consent is asked annually to approve the Business Plan. The approved Business Plan forms the basis upon which the Housing Supervisory Board monitors the activity of the Company over the Plan period, through Monitoring Reports presented to the Housing Supervisory Board and attendance by the Managing Director of CDL at quarterly meetings.

8. Additional Information

- 8.1. The Business Plan has been presented to the Executive Director of Place, Executive Director of Resources and the Assistant Director of Homes and Communities. Following which no concerns in relation to the proposed Business Plan have been raised.
- 8.2. As part of the revised plan CDL brings forward proposals to develop 33 homes within the identified site for private rent. In order to progress this proposal changes to the current funding arrangements will be required.

9. Conclusions

- 9.1. The CDL 2023 Business Plan aims to deliver 736 new homes on ten sites across Shropshire, providing 563 homes at market sale, 33 for private rented and 138 new affordable homes. It is anticipated that all homes will be built to an average EPC B standard (Environmental Impact Assessment rating A) and will be 75% above existing building regulations with full consideration given to the environmental impact of the build and occupancy of the homes.
- 9.2. The Housing Supervisory Board is asked to note the summary 2023 Business Plan and to provide comment and feedback as to whether the plan meets Shareholder requirements.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)

Cabinet Member (Portfolio Holder)

Cllr Dean Carroll - Portfolio Holder for Highways, Assets & Built Housing

Cllr Robert Macey - Chair of Housing Supervisory Board

Local Member

N/A

Appendices

Appendix A - CDL Summary Business Plan

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Housing Supervisory Board: 16/03/2022

Item: 7 AppendixA. 2023-2033 CDL Summary Business Plan (PUBLIC)

Report Author: Ros Bridges

Contact No. 01743 258948

Purpose/ Summary: To present to the Housing Supervisory Board the 2023 10-year CDL Business Plan

Recommendations:
 The Housing Supervisory Board is requested to receive:

- Receive the summary of the CDL March 2023 10-year business plan, noting CDL’s proposals to enter into the Private Rented Market

Discussion or Decision		Anticipated time	
------------------------	--	------------------	--

Financial Implications:
 The report presents the 2023 Business Plan. The following are the key financial headlines:

- A total of £123m to be invested in new build development activity over the plan period
- A total of £7m to be invested in PRS over the plan period

Intended outcomes:
 The 2023 Business Plan aims to deliver the following key outcomes:

- 736 new homes

People: shareholder, customer, stakeholder and staff implications:
 A fully funded Business Plan ensures that adequate resources are available for CDL to achieve its Corporate Objectives.

Shareholder: The business plan will deliver energy efficient, adaptable, affordable housing for sale and rent in communities throughout Shropshire, providing housing solutions for key workers as well as properties which can be adapted for people with disabilities. The developments will often be on complex land parcels which have been undeveloped or derelict for some time, thereby regenerating communities. Build contracts will be let to local contractors wherever possible and apprenticeships and local schools supported and involved during the build process. In this way the business plan will address the key areas as set out in the Shropshire Plan of healthy people, healthy economy, healthy environment and healthy organisation.

Customer: CDL will deliver a mix of homes which will meet unmet housing demand within Shropshire . This includes 2 bedroom homes, bungalows and low carbon homes, some of which will be offered for rent.

Stakeholder: CDL will engage with key stakeholders including Homes England, STAR Housing, local contractors, Registered Providers (RPs) and local agents to support CDL to deliver the programme.

Staff Implications: CDL has outlined a staffing structure within the business plan.

Relevant Risks and Controls (as per proposed register Q3)

Risk No.	Description of Risk	Current Controls In Place
1	Capacity to deliver the programme	Following roles now in place: Lead Director of Development, Head of Development, Finance Director & Company Secretary, Technical & Self Build Manager, Development Officer, Aftercare & Sales Manager, Sales & Aftercare Assistant and Development Contracts Officer. Robust Recruitment Process in Place High performance culture encouraged within the team. Efficient processes in place to ensure high productivity. Salary benchmarking exercise completed. Remuneration committee established. Sales process review work commenced.
2	Increased construction costs	1) All development appraisals and cost plans will include inflation associated with changes forecasted within the BCIS indices and all developments will be competitive tendered or a VFM report will be produced by a independent cost consultants. Appraisal take account of abnormals on site as far as possible. The JCT contract allows for a large proportion of this risk to fall with the contractors for onsite contracts. 2) One Public Estate funding is secured wherever possible to assist with the cost of abnormals.
4	Shocks to the economy including Brexit, COVID 19 interest rate changes and war	1) The Business Plan is stress tested against increases in build cost, reductions in income and interest rate changes to understand sensitivities to such external factors. 2) Agreed methodology in Q3 to take into account collateralisation levels when setting the interest rates. The higher the asset strength the lower the interest rate. In the immediate term this has allowed CDL to reset borrowing at 2.5 percentage points lower than before.

5	Insufficient Land Supply or delays in securing land in line with business plan assumptions. (Including delays or inability to secure required planning permissions).	1) Strategic Land and Development Grp formed to provide the strategic leadership for the land options appraisal work between CDL and SC Estates Team, to deliver clarity around SC owned residential sites which are suitable for development 2) On-going market engagement with land owners and land agents 3) Monthly meetings in place with SC finance colleagues to progress any issues and consider disposal strategies.
6	Funding Structure is illegal or not HMRC compliant and penalties incurred	1) Transfer pricing advice and defence documents commissioned and regularly updated. 2) Company status confirmed via Counsel 3) On-going liaison with Shareholder (sc)
10	Interruption to supply of materials and labour. Logistic/Supply Chain risk. Including contractor failure.	1) Close working relationships with Contractors to identify signs of early issues and formulate appropriate responses. 2) appropriately qualified employer's agents employed at all developments to monitor contractor activities. 3) Credit checks commissioned at tender stage to confirm financial capacity to deliver contract requirements. 4) Performance bonds in place as part of all JCT contracts (at the cost of the contractor) to insure up to 10% of contract cost is reimbursed in the event of contractor failure. 5) Project Bank Accounts considered where further risk mitigations required.

Legal and regulatory issues:	No	Advice taken:	Yes
CDL continues to procure financial advice where appropriate from its external advisors including; RSM and KPMG tax advisors, Trowers and Gateley’s legal advisors, Azets Accountants and Shropshire Council finance department.			

The Housing Supervisory Board is asked to:

- Receive the summary of the CDL March 2023 10-year business plan, noting CDL’s proposals to enter into the Private Rented Market

1. Report Headlines

- 1.1. In accordance with the Shareholder agreement the Housing Supervisory Board is required to approve Cornovii’s annual business plan The report brings forward the 2023 10-year CDL Business Plan for consideration.
- 1.2. The following are the main headlines:
 - The 2023 CDL business plan delivers 736 units across 10 Schemes
 - Homes delivered will average an EPC rating of B (in line with updated SAP 10 regulations)
 - The plan proposes an entry into the PRS market with the retention of 33 units
 - There are an additional 346 units in the developing pipeline
 - The number of affordable units could be increased subject to additional Shareholder support

2. Business Plan Deliverables

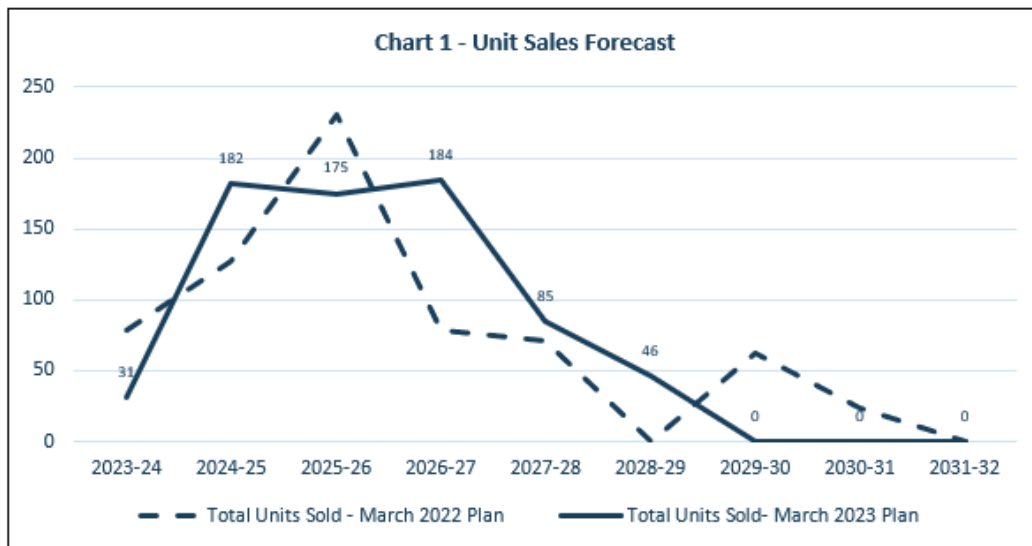
Units

2.1. The 2023 CDL business plan delivers 736 units across 10 Schemes. This is an increase of 8 units on the 2022 CDL business plan. Table 1 summarises the scheme units.

Scheme Name	March 2023 Plan
The Frith, Crowmoor (Approved - Completed)	33
Ellesmere Wharf (Approved)	23
Ifton Green (Approved)	35
Phase 2 Scheme	23
Phase 2 Scheme	135
Phase 2 Scheme	250
Phase 2 Scheme	100
Phase 2 Scheme	24
Phase 2 Scheme	28
Phase 2 Scheme	85
TOTAL (1 & 2 confidence)	736

2.2. Starts on site and unit sales are shown below. The build programme is ambitious in 2023-24 as a result of the plan to recover time lost from prior year delays.

Year	23/24	24/25	25/26	26/27	27/28	28/29
Start on site	508	24	28	0	85	0



2.3. The total number of affordable units has increased but as a percentage of total units remains the same as the March 22 business plan. The business plan presents a policy compliant approach only across the majority of developments along with additional affordable units at Ellesmere Wharf, The Frith and Ifton Green. This proposal presents the most commercial proposition and maximises the financial return to the shareholder. Additional affordable units can be added to future sites on a site-by-site basis if there is an acceptance that shareholder return will reduce.

2.4. The mix of unit types in the business plan is shown below.

1 Bed	40	5%
2 Bed	107	15%
3 Bed	121	16%
4 Bed	90	12%
Not yet known	378	51%
Total Units	736	

Bungalow	54	7%
House	269	37%
Flat	35	5%
Not yet known	378	51%
Total Units	736	

2.5. Every project in the business plan covers its own costs and exceeds the required shareholder return threshold.

2.6. The March 2023 business plan brings forward proposals for CDL to enter the PRS market by retaining stock at four of its forthcoming developments. It is proposed that 33 units will be retained within CDL’s ownership and operated via a managing agent. The aim of the proposal is to offer a long-term investment solution to the Shareholder, with a different risk profile to CDL’s core business of new build, as well as providing CDL with alternative options should a market slowdown adversely impact sales rates. Section 3 of this report explores the proposals in more detail.

Specification

- 2.7. CDL remains committed to building good quality sustainable homes. The majority of CDL Homes will meet the following standards:
- CDL is working towards all homes being built to Future Homes Standards which will result in all homes adopting ‘fabric first’ principles, with renewable technologies, a EPC rating B (Environment Impact Assessment rating ‘A’) and will be 75% above existing building regulations. Further, CDL is exploring options to move all properties from gas heating to electric renewable heating.
 - All CDL homes will meet National Described Space Standards and will be built to M4(2) compliance where possible.
 - CDL will deliver a net gain in biodiversity across all our development sites.
 - All CDL homes are designed to be tenure blind.
 - Affordable homes will be integrated into CDL sites rather than being isolated on a layout.

Supporting the local economy/Social Value – Live Sites

- 2.8. A key objective of CDL is to support local SME and suppliers to build capacity, create job and training opportunities.
- 2.9. In addition to the affordable housing delivery the operational sites are currently expected to deliver the following social value outputs.

Table 8

Social Value (live sites)		
Project Name:	Ellesmere Wharf	Ifton Green
Social Value Headings		
% of contractors and subcontractors from a Shropshire postcode	71%	65%
Average EPC and carbon savings.	A	A
Employment and training opportunities	6 apprentices on site	6 apprentices on site
Number and detail of Education settings supported by CDL activities	ON HOLD- Welshampton C of E Primary School Ellesmere, SY12 0PG	
	Quarterly updates to Ellesmere Town Council clerk and local member	Stakeholder Group with two parish councillors and two residents
	One Public Estate funding	Regular engagement with childrens services home adjacent to the site
	Town Councillor and local member updated bi-monthly as a minimum.	Competition for street naming being run at St Martins School.

3. Private Rented Sector

- 3.1. The business plan brings forward proposals for CDL to retain 33 of its new build properties. This will require an initial investment of £6.5m over a six year time frame. The properties will be will be rented out for market rents generating a long-term income stream for the shareholder over a 45 year period.
- 3.2. The proposal assumes that £7m of the existing £49m loan facility will be ‘top sliced’ and applied to PRS activity under a new loan arrangement.
- 3.3. The next few paragraphs explore the risks, benefits, and tax impacts associated with this arrangement as well as the practical steps needed to enter the market.

Benefits

- 3.4. Entering into the PRS market will attract the following benefits:
 - Provides a long term revenue income stream for the Shareholder (through interest payments and dividends).
 - Offers the business plan resistance against a downturn in sales rates or values as properties can be flipped to PRS until an upturn is evident.
 - Addresses housing need in Shropshire both on a general level but could also be adapted rented to SC to house complex disability support clients.
 - Activity is secured against capital assets which it is anticipated will increase in value.

Risks

- 3.5. The following risks should be considered.
- Non payment of rents.
 - Void costs.
 - Property damage.
 - Illegal activity.
 - General disputes.
 - Interest Rate risk

Tax impact

- 3.6. CDL has taken specific advice from KPMG on the tax impacts arising as a result of entering the PRS market and these centre around a change in VAT status for CDL. Additional costs arising have been factored into the business plan.
- 3.7. In terms of corporation tax any profits and losses arising will be grouped with the new build activity and taxed at the usual rate.

Delivery Timetable

- 3.8. In order to successfully enter the PRS market a number of steps will need to be achieved such as agreeing a new funding arrangement, agreeing relevant policies and appointing a managing agent.

4. Company Financing

Capacity

- 4.1. The peak debt in the new business plan reaches £37.51m in Feb-26 for new build activity. This increases to £41.596m in the same month with the addition of PRS cashflows. This is within the overall funding availability of £49.000m and below the Golden Rules level which requires 7.5% headroom is left available within the loan capacity at all times.
- 4.2. The current assumption is that some projects may be delivered via Joint venture arrangements. Permissions are yet to be defined and agreed within the terms of the loan arrangements to allow this to happen but will be worked on during the next business plan period.

Pipeline and diversification of activity

- 4.3. CDL continues to explore opportunities to purchase sites for inclusion within its business plan. CDL's main focus will be to continue purchasing sites from the council and deliver housing developments which meet a number of strategic objectives identified within the Shropshire Plan.
- 4.4 CDL continue to explore new opportunities to support the council in the delivery of its housing strategy and the commissioning of development services, this includes exploring new delivery partnership approaches to regeneration and development activity.

5. Recommendation

5.1 The Housing Supervisory Board is asked to:

- Receive the summary of the CDL March 2023 10-year business plan, noting CDL's proposals to enter into the Private Rented Market

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