

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

Date: Wednesday, 6 March 2024

### Committee: Housing Supervisory Board

**Date:** Thursday, 14 March 2024

**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](mailto: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

Vince Hunt (Chairman)

Garry Burchett (Vice Chairman)

Jeff Anderson

Julian Dean

Roger Evans

Ruth Houghton

Simon Jones

Tony Parsons

Dan Thomas

Your Committee Officer is:

**Shelley Davies** Committee Officer

Tel: 01743 257718

Email: [shelley.davies@shropshire.gov.uk](mailto: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 30<sup>th</sup> November 2023.

Contact: Shelley Davies on 01743 257718

## 4 Public Question Time

To receive any public questions or petitions from the public, notice of which has been given in accordance with Procedure Rule 14. The deadline for this meeting is 5.00 pm, Friday 8<sup>th</sup> March 2024.

## 5 Member Question Time

To receive any question of which Members of the Council have given notice. Deadline for notification for this meeting is 5.00pm, Friday 8<sup>th</sup> March 2024.

## 6 Cornovii Developments Limited Monitoring Report & Approval to Establish Public Open Space Subsidiaries (Pages 5 - 18)

To receive the report from the Assistant Director, Homes and Communities.  
[Report attached]

Contact Jane Trethewey

## 7 Cornovii Developments Limited Business Plan 2024 - Summary (Pages 19 - 32)

To receive the report 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 33 - 34)**

To confirm the exempt minutes of the Housing Supervisory Board meeting held on 30<sup>th</sup> November 2023.

**10 Cornovii Developments Limited Monitoring Report - Exempt Items (Pages 35 - 46)**

To receive the exempt report from the Assistant Director, Homes and Communities. [Exempt report attached]

Contact: Jane Trethewey

**11 Cornovii Developments Limited Business Plan 2024 (Pages 47 - 72)**

To receive the exempt report from the Assistant Director, Homes and Communities. [Exempt report attached]

Contact: Jane Trethewey

**12 Date of Next Meeting**

To note that the next meeting of the Housing Supervisory Board will be held at 2.00 p.m. on Thursday 6<sup>th</sup> June 2024.

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## Committee and Date

Housing Supervisory Board

14<sup>th</sup> March 2024

## **HOUSING SUPERVISORY BOARD**

**Minutes of the meeting held on 30 November 2023**

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

**2.00 - 3.00 pm**

**Responsible Officer:** Shelley Davies

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

### **Present**

Councillor Vince Hunt (Chairman)

Councillors Jeff Anderson, Julian Dean, Ruth Houghton and Tony Parsons

### **24 Apologies for Absence and Substitutions**

Apologies for absence were received from Councillors Garry Burchett, Roger Evans, Simon Jones and Dan Thomas.

### **25 Disclosable Pecuniary Interests**

None were declared.

### **26 Minutes**

**RESOLVED:** That the minutes of the meeting held on 14<sup>th</sup> September 2023 be approved as a true record and signed by the Chairman.

### **27 Public Question Time**

There were no public questions.

### **28 Member Question Time**

There were no member questions.

### **29 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 2023. The reduction in the number of units forecast since the plan was approved in March 2023 was noted and the Assistant Director Homes and Communities

explained that approval was required from the Housing Supervisory Board in relation to the change in Cornovii Developments Registered office.

The Managing Director of CDL gave an update on the Ellesmere Wharf, Ifton Heath, Oaklands and London Road schemes and noted the challenges that continued in relation to the housing market.

In response to questions the Managing Director of CDL, confirmed that:

- CDL was reviewing the reduction in affordable homes as stated in paragraph 2.3 of the report and hoped that this figure would increase.
- The cost of building homes had decreased slightly and main issue now for developers was selling homes as it was difficult for buyers to obtain mortgages.
- The focus for CDL at present was to sell the homes built and secure a pipeline for the future.
- All the affordable homes built by CDL had an EPC rating A or B.

**RESOLVED:**

1. That the report be noted.
2. That the change in Cornovii Developments Registered office be approved.

**30 Cornovii Developments Limited - Establishment of a Subsidiary Company**

Members received the report of the Assistant Director Homes and Communities which sought approval from the Housing Supervisory Board to form a Subsidiary company into which land transactions from the Council can be made with onward sale of the land into CDL.

The Assistant Director Homes and Communities outlined the reasons for establishing a subsidiary company and noted that legal advice had been sought which stated that the establishment of the subsidiary company can reasonably be regarded as part of the Council's fiduciary duty to safeguard public money as well as being a legitimate arrangement under the Local Government Act 1999 to secure best value through continuous improvement in the discharge of its functions with regard to economy, efficiency and effectiveness.

**RESOLVED:**

1. That the request from Cornovii Developments Limited to establish a subsidiary company limited by guarantee be approved in accordance with the provisions contained within the Shareholder Agreement

2. That any and all actions to facilitate and implement the recommendation 1 above be delegated to the Assistant Director Homes and Communities and the Assistant Director Legal and Governance in consultation with the Chair of the Housing Supervisory Board.
3. That the Assistant Director Legal and Governance be authorised to sign, on the Council's behalf, any document and resolutions to implement recommendations 1 and 2 above.

**31 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.

**32 Exempt Minutes**

**RESOLVED:**

That the exempt minutes of the meeting held on 14<sup>th</sup> September 2023 be approved as a true record and signed by the Chairman.

**33 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.

**34 Cornovii Developments Limited - Proposals to establish a Public Open Space Management Company**

Members received a verbal update from the Managing Director of Cornovii Developments Limited.

**RESOLVED:** That the update be noted.

**35 Date of Next Meeting**

It was noted that the next meeting of the Housing Supervisory Board would be held at 2.00 p.m. on Thursday 14<sup>th</sup> March 2024.

Signed ..... (Chairman)

Date: .....



**Committee and Date**

Housing Supervisory Board  
14<sup>th</sup> March 2024

Item

6

Public



## Cornovii Developments Limited Monitoring Report

<b>Responsible Officer:</b>	Jane Trethewey		
email:	Jane.trethewey@shropshire.gov.uk	Tel:	01743 258917
<b>Cabinet Member (Portfolio Holder):</b>	Dean Carroll		

### 1. Synopsis

The purpose of this report is to update the Housing Supervisory Board on the progress of Cornovii Developments Limited (CDL) 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 2023. Furthermore, this report seeks approval from the Housing Supervisory Board for CDL to create four new build estate management companies. The report shown at Appendix B provides rationale and detail from CDL in respect of this proposal.

### 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 16 March 2023.
- 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, Ifton Heath, The Oakland and London

Road 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.

- 2.3. In accordance with the Shareholder Agreement, CDL are requesting approval from the Housing Supervisory Board to form subsidiary companies to deliver public open space management services on completed developments.
- 2.4. At the Housing Supervisory Board meeting held on 30<sup>th</sup> November CDL set out proposals to establish Public Open Space Management Companies. This report formerly brings forward this request, seeking approval from the Housing Supervisory board to establish Management Companies for the Ellesmere Wharf, Ifton Green, London Road and the Oaklands developments.

### **3. Recommendations**

- 3.1. That the Housing Supervisory Board receives the CDL Quarterly Monitoring Report in accordance with the terms of the Shareholder Agreement
- 3.2. Approve in accordance with the provisions contained within the Shareholder Agreement, the request from Cornovii Developments Limited to establish subsidiary companies limited by guarantee for the purposes of public open space management.
- 3.3. Approve that any and all actions required by the Council to facilitate and implement recommendation 3.2 are delegated to the Assistant Director Homes and Communities and the Assistant Director Legal and Governance in consultation with the Chair of the Housing Supervisory Board.
- 3.4. Authorise the Assistant Director Legal and Governance to sign on the Council's behalf, any document and resolutions to implement recommendations 3.2 and 3.3, should these be required of the Council.

## **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.

- 4.2. The proposal by CDL to set up subsidiary companies provides the opportunity for the company and the Council, as Shareholder to ensure that residents living on the schemes developed by CDL continue to receive good provision of services in the management of public open space that delivers best value for money.
- 4.3. Should the recommendation not be approved CDL will have to continue with limited options for the management of public open space across its schemes.

## 5. Financial Implications

- 5.1. The CDL developments schemes are being delivered within the terms of the approved Shareholder Agreement and loan funding arrangements.
- 5.2. Although no direct financial implication for the Council, by giving approval to CDL to establish subsidiary management companies, CDL can seek to test best value for residents in relation to set up fees and ingoing services charges for the delivery of the management of public open spaces.

## 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. All homes at Oaklands will have an EPC rating of B (SAP 10.2) and an Environmental Impact Rating of A. Design stage predicted energy assessments are not yet available for this development. In addition, all homes at Oaklands will be fitted with ASHPs to all plots, and a maximum of 1.7 kwp to roofs.
- 6.4. All homes at London Road will have an EPC rating of B (SAP 10.2) and an Environmental Impact Rating of A. Design stage predicted energy assessments are not yet available for this development. In addition all homes at London Road will be electrically heated, utilising ASHP for houses, and electric panel heating for apartments.
- 6.5. The homes at Ellesmere Wharf and Oaklands do not benefit from any additional carbon off-setting measures over and above the landscaping measures approved at planning. The Ifton and London Road sites are to benefit from the planting of additional trees.

- 6.6. At all four developments the flood risk assessment undertaken 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.
- 6.7. 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.
- 6.8. The homes at London Road are generally situated on a NW/SE axis, with principal rooms situated in that axis, to prevent extreme heating and extreme cooling. All properties will be subject to an overheating assessment, which will result in all being fitted with a DMEV ventilation system, and low emissivity glazing to minimise solar gain. Properties will be fitted with a minimum of 0.8 Kwp Photovoltaic panels to houses, and 1.6 Kwp to apartments.
- 6.9. The homes at Oaklands are generally situated on a NW/SE axis, with principal rooms situated in that axis, to prevent extreme heating and extreme cooling. All properties will be subject to an overheating assessment, which will result in all being fitted with measures to minimise solar gain.

## 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 on 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. The Shareholder Agreement provides at schedule 1 for various corporate and operational 'shareholder consent matters. These are matters which cannot be affected by the CDL directors without the Council (as shareholder) having first resolved to grant consent.
- 7.3. Schedule 1, Part A -Corporate Matters 9 sets out that the Company (CDL) shall not unless it has Shareholder Consent, *form any Subsidiary, or acquire shares in any other company or participate in any partnership or joint venture.*
- 7.4. The Council has delegated certain Shareholder functions to the Housing Supervisory Board. The Housing Supervisory Board is requested to make this decision within its delegated powers, as set out in the

shareholder consent matters contained within the Shareholder Agreement.

## **8. Operations and Performance of the Company in meeting unmet housing need and the objectives contained within the Business Plan**

- 8.1. On the 16 March 2023 the Housing Supervisory Board approved CDL's 10-year Business Plan which set out its aims to deliver 736 homes over the plan period.
- 8.2. At appendix A CDL give an update to the end of December against their progress on bringing forward approved sites at Ifton Green, Ellesmere Wharf, The Oaklands and London Road.
- 8.3. At section 3 of appendix A CDL report on the local Social Value generated from their activity, to include percentage of contractors and subcontractors from a Shropshire postcode, employment and training opportunities and number of educational settings supported by CDL activities.

## **9. Approval to establish subsidiary public space management companies.**

- 9.1. At appendix B CDL sets out its proposals, with detail and rationale for the establishment of subsidiary public space management companies for its approved schemes at Ellesmere, Ifton Green, the Oakland and London Road.
- 9.2. CDL report that despite having no issues with the arrangements for the management at public space at The Frith, due to the number of live sites and increased areas of public open space coming across on future schemes, it is necessary for them to consider other options to ensure best value for residents.
- 9.3. CDL has researched what other local developers are doing, identifying that a common approach, adopted by most developers and set out by Roythornes solicitors for CDL would be, for CDL to set up and create new build estate management companies, limited by guarantee for each scheme.
- 9.4. This approach requires existing CDL Directors to also be Directors of each new management company. CDL Board Directors would resign as Directors at each Management Company handover where residents become Directors which would be triggered after final plot sale on each scheme.
- 9.5. The Housing Supervisory Board will continue to exercise its function within the terms of the Shareholder Agreement and in accordance with

its articles of association. A bespoke governance agreement between the new company and CDL and the Council will provide for the exercise of the Council's member function in relation to the subsidiaries, and the company's reporting and provision of information to CDL and to the Council and its Housing Supervisory Board.

## 10. Conclusions

- 10.1. 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, Ifton Heath, London Road and the Oaklands.
- 10.2. The Housing Supervisory Board is requested to approve the establishment of subsidiary public open space management companies.

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

**Local Member:**

### **Appendices**

Appendix A CDL Quarterly Monitoring Report

Appendix B CDL Public Open Space Management Company Proposal

# 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 Developments Limited (CDL) activity to the end of December 2023.
- 1.2. CDL Board was not provided with a quarter three monitoring forecast due to the close proximity to the preparation of the 2024 Business Plan. The updated plan brings forward updates to the unit mix and planned developments and is presented in a separate report.

## 2. Development Summary

- 2.1. A total of 9 schemes were approved in the March 2023 Business Plan. The business plan aims to deliver a total of 736 new homes during the life of the business plan.

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



## 2.2. Ifton Green Development Update – 35 new homes

- 2.2.1. Site works are progressing well with all timber frames now erected and all plots watertight.
- 2.2.2. First handovers took place on 26th January, next handovers are due 15/16 February with practical completion in May 2024.
- 2.2.3. With regards to the extension of time (EOT) notification submitted by McPhillips in March 2023, CDL's Employers Agent (EA) has produced a report proposing a response to the claim under the contract. The report was reviewed and approved by CDL and the Chair of CDL Board and the EA issued a formal response to McPhillips on the 3rd of October 2023.
- 2.2.4. An offer has been accepted from a affordable housing provider to purchase 13 affordable homes being delivered at the scheme. Deal structure and specification details have been agreed, form of contract has been issued. The first of the affordable homes are due to be handed over in February 2024 closely followed by exchange anticipated for March 24. The delay is due to Homes England approvals.

## 2.3. Ellesmere Wharf Development Update – 23 new homes

- 2.3.1. All plots are now watertight with the remaining 9 following closely behind. McPhillips have also commenced work on driveways and landscaping.
- 2.3.2. The first plot handover was due in November 2023 but was delayed over the Christmas period to 11th January. Therefore the first plots have been handed over and completion anticipated in May 2024.
- 2.3.3. CDL have received a formal extension of time (EOT) claim from McPhillips which has been reviewed by the Employers Agent (EA) and a report produced. Due to the JCT D&B (2016) contract for this scheme being amended to cover cost plus in the ground and fixed price for superstructure only, CDL referred the EOT and EA's report to Shakespeare Martineau solicitors for comment as they drafted the amendments to JCT contract on CDL's behalf prior to appointing McPhillips.
- 2.3.4. In addition to the above, on behalf of SCC, STAR has made an offer for four DHLUC properties to be purchased for refugees under the LAHF (Local Authority Housing Fund) funding programme, subject to SCC approval and valuation.



## 2.4. The Oaklands Development Update – 23 new homes

2.4.1. Works continue to progress well on site and first handovers are anticipated early 2024 and completion of the scheme by Summer 2024.

## 2.5. London Road Development Update – 135 new homes

2.5.1. CDL are awaiting a date from National Grid to divert the overhead electricity cable underground. Subject to these works being scheduled by March 2024, delivery of two show homes is anticipated late Spring 2024 with handovers following shortly afterwards. Completion of the first 82 homes on the scheme is anticipated by Summer 2025.

## 3.0 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 Green – remains at 60% to date
- Ellesmere Wharf – remains at 65% to date
- London Road – 60% to date
- The Oaklands – remains at 92% to date

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 Green - EPC rating A (SAP 2012). Carbon savings of 2.90 tonnes/yr in comparison to a property with an EPC rating of C.
- London Road – on target for an EPC 'B' under new SAP 10.2. Full design stage SAP's have been completed, CDL is awaiting results to calculate the carbon savings of tonnes/yr.
- The Oaklands – also on target for EPC 'B' under new SAP 10.2. Full design stage SAP's to follow to calculate the carbon savings of tonnes/yr.

Employment & training:

- Ifton Green & Ellesmere Wharf – Six apprentices have been supported on site to date.
- London Road – Four apprentices have been supported on site to date.
- The Oaklands – Sixteen apprentices have been supported on site to date.

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

- Ifton Green – Pupils at St Martins School took part in a competition and provided the three street names within the Ifton Heath development which have been approved by Shropshire Council and Royal Mail.
- The Oaklands – the street naming competition which was run with pupils at the local Oakmeadow Primary School is now concluded. The winning street name is Tree Top Avenue.
- London Road – the main contractor is engaging with the Shropshire Academy and the Construction Industry Training Board (CITB).

# Public Open Space Management Company Proposal

To give CDL the option to engage with Managing Agents in addition to Betts Ecology and Estates management company, to seek best value for both CDL and residents with regards to maintenance liabilities of POS and the annual service charges these incur on future sites on a scheme by scheme basis.

## 1.0 Background

- 1.1 CDL's first development scheme at The Frith (Crowmoor) identified the need for a strategy to dispose of the public open space to a management company to deliver the ongoing maintenance requirements, which are then service charged back to residents.
- 1.2 The sole purpose of a management company is to assist the residents by dealing with the maintenance of any 'Common Parts'/'Communal Facilities' i.e. shared areas such as public open spaces, private SUDs, footpaths, including general landscaping and maintenance of grass and open spaces. It should also hold its own public liability insurance for these areas including arranging and dealing with its own company accounts and collection of estate management fees from the residents.
- 1.3 CDL, therefore, went out to tender to eight management companies to take on ownership and management of the POS after final plot sale at The Frith.
- 1.4 Out of the eight companies, Betts Ecology and Estates were the only company to respond with a proposal which included taking on ownership of the POS land. Clarification was sought from the other respondents, but CDL could not, and have not found an alternative company willing to take on liability of ownership of the land on practical completion of the development.
- 1.5 To date, CDL has not received any negative feedback from residents at The Frith about Betts Ecology and Estates and CDL have observed a very clean, well maintained and tidy site on subsequent visits.
- 1.6 CDL are currently engaging with Betts Ecology and Estates on Ifton Green, Ellesmere Wharf and The Oaklands.

## 2.0 Alternative Management Company Proposal

- 2.1 Despite no issues having currently arisen with Betts Ecology and Estates, due to the number of live sites and increased areas of POS coming across on future schemes e.g. London Road, there is a reputational risk to CDL should the service provided decline.
- 2.2 Further to the above, the current arrangement does not test best value for CDL or residents in relation to set up fees and ongoing service charges.
- 2.3 CDL has therefore researched what other local developers do with the POS on their schemes and have discovered that a more common approach, adopted by most developers, and set out by Roythornes solicitors below for CDL would be:

- Cornovii to set up and create a new build estate management company at Companies House, limited by Guarantee capital (rather than share capital) for each scheme – at the outset, Directors of the management company would be Directors of Cornovii;
- Cornovii to seek tenders and thereafter employ a managing agent to provide or oversee the respective management services provided. The managing agent should then perform most of the duties of running a property under the appointment, control, and direction of the management company – they may insist you enter into a management agreement to formalise the appointment;
- Cornovii ensure each plot purchaser agree (by virtue of contract and transfer provisions) to enter into direct covenants with the management company to agree to become a company Director and/or Secretary (if so required by the management company – this approach is the commonplace approach for developers);
- Once the management company areas have been set up and all plots sold, Cornovii would effect ‘Management Company Handover’ to the residents, via the managing agent. This would result in the following:
  1. Any initial management company contributions be handed over to the managing agent, for the management company;
  2. The management company land be transferred to the management company;
  3. The residents be contacted to seek volunteers for some to become Directors of the management company – if none volunteer, the approach be for residents to be selected at random (as all should have agreed in any event by entering into the contract and transfer originally);
  4. Once residents are duly appointed, the Cornovii Directors resign from the management company, leaving the residents as Directors and confirming handover.
- For the most part, the managing agent should also be guiding CDL through the above points at the requisite times too.

2.4 The above approach requires existing CDL Directors to also be Directors of each new management company (one company for each scheme). CDL Board Directors would resign as Directors at each ‘Management Company Handover’ where residents become Directors which is triggered after final plot sale on each scheme.

2.5 This approach was approved by CDL Board at the meeting held on 7<sup>th</sup> February 2024.

### **3.0 Suggested CDL Approach for Future Schemes**

3.1 In the Section 106 agreement for more recent planning decisions, the developer is now obliged to first offer the POS and maintenance requirements to the local Parish or Town Council. CDL has done this on all schemes to date but as yet, has not had the offer accepted.

3.2 First refusal will continue to be offered to the local Parish or Town Council for all CDL schemes.

3.3 If the Parish or Town Council do not wish to take on the POS, CDL will go to tender to a minimum of four managing agents, plus Betts Ecology and Estates management company. The tenders will then be analysed and an agent or management company appointed based on best value to both CDL and residents.

3.4 If an agent is appointed, a new management company will be set up and CDL Directors registered as Directors of the new company.

#### **4.0 Recommendation**

4.1 HSB is asked to:

- Delegate authority to CDL Board and the Managing Director to set up management companies for Ellesmere Wharf, Ifton Green, London Road and The Oaklands.

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**Committee and Date**  
**Housing Supervisory Board**  
**14<sup>th</sup> March 2024**

Item  
 7  
 Public



## Summary of Cornovii Developments 2024 Business Plan

<b>Responsible Officer:</b>	Jane Trethewey		
email:	Jane.trethewey@shropshire.gov.uk	Tel:	01743 258913
<b>Cabinet Member (Portfolio Holder):</b>	Dean Carroll		

### 1. Synopsis

The purpose of this report is to present to the Housing Supervisory Board, Cornovii Developments Limited (CDL) 2024 summary Business Plan, shown at Appendix A.

### 2. Executive Summary

- 2.1. This report brings forward a summary of the CDL 2024 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, during which period the Company aims to deliver 882 homes across 10

schemes. The plan proposes an entry into the Private Rented Sector (PRS) with the retention of 33 dwellings.

2.3. The total number of affordable dwellings anticipated to be delivered over the plan period has increased but as a percentage remains the same as the March 2023 business plan. The plan put forward by CDL presents a policy compliance position across the majority of the developments.

2.4. CDL set out that the majority of its 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 its 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.

### 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 meets Shareholder requirements.

## Report

### 4. Risk Assessment and Opportunities Appraisal

4.1. The 2024 Business Plan will deliver 882 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 2024 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 2024 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.
- 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 2024 Business Plan will deliver a return to the Council in line with stated expectations. With a total of £145m is to be invested in development activity over the period, with a total of £7m to be invested in PRS over the 10-year plan period.
- 5.5. CDL have set out that they expect £38.103m of financial benefits will be returned to the Council across the life of the company.

## 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 four schemes, having completed development at its first scheme, The Frith.
- 7.2. 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 CDL Monitoring Board following which no concerns in relation to the proposed business plan have been raised.

## 9. Conclusions

- 9.1. The Housing Supervisory Board is asked to note the summary 2024 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)**

**Local Member:**

**Appendices**

**Appendix A CDL Summary 2024 Business Plan**

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CDL Board: 14/03/2024

Item: 2024 CDL Business Plan (Public)

Report Author: Ros Bridges

Contact No. 01743 258948



**Purpose/ Summary:** To present to the Housing Supervisory Board the 2024 CDL Business Plan

**Recommendations:**  
The Housing Supervisory Board is requested to:

- Receive the summary of the March 2024 business plan

Discussion or Decision		Anticipated time	
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**Financial Implications:**  
The report presents the 2024 Business Plan. The following are the key financial headlines:

- A total of £145m 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 2024 Business Plan aims to deliver the following key outcomes:

- 882 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: CDL has assumed that £38.103m of financial benefits will follow back to the shareholder across the life of the company some of which will come from a first venture into the Private Rental Sector. 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 which will support activity for at least a five year period.

**Relevant Risks and Controls (as per proposed register Q3)**

There are a number of strategic risks covering the financials of the business. These and the current controls are shown below. The business plan is a key tool in managing financial risk.

Risk No.	Description of Risk	Current Controls In Place
1	Capacity to deliver the programme	<p>Following the sharing of key leadership roles with sTAR housing and the company entering into a development agreement with STAR the Cornovii team has been restructured and added to ensure adequate capacity is in place. The current status of the team is shown below:</p> <ul style="list-style-type: none"> <li>Managing Director (Shared with STAR),</li> <li>Finance Director &amp; Company Secretary (Shared with STAR),</li> <li>Assistant Director of Development (leaves Nov 23),</li> <li>Head of Development (Starts Oct 23),</li> <li>Senior Technical Manager,</li> <li>Senior Finance &amp; Governance Officer,</li> <li>Finance &amp; Office Administrator (Started Sept 23),</li> <li>Senior Development Officer,</li> <li>Sales &amp; Aftercare Manager,</li> <li>Sales &amp; Aftercare Executive (Out to recruit Oct 23),</li> <li>Development Manager - STAR (Agency since Jul 23)</li> <li>Senior Development Officer - STAR (Tupe'd to CDL Sep 23)</li> <li>Development Contracts Officer,</li> </ul> <p>There is a robust Recruitment Process in Place  A high performance culture encouraged within the team.  Efficient processes are in place to ensure high productivity.  Salary benchmarking exercise completed.  Remuneration committee established.  Sales process review completed to streamline processes ahead of next sales phases.  Teams are now colocated at Mount McKinley allowing for ease of access to shared roles.  Monks Estate Agents retained to support sales function</p>

2	Increased construction costs	<p>1) All development appraisals and cost plans will include inflation associated with changes forecasted within the BCIS indices and all developments will be competitively tendered or a VFM report will be produced by an independent cost consultant. Appraisal takes 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 on-site contracts.</p> <p>2) One Public Estate funding is secured wherever possible to assist with the cost of abnormals.</p> <p>3) Following the signature of the build contract at London Road and Oaklands 51% of the build programme is now delivered or in contract which reduces the exposure to build cost increases.</p> <p>4) Forecast assumptions are reviewed quarterly to capture any new information.</p>
4	Shocks to the economy including Brexit, COVID 19 interest rate changes and war	<p>1) The Business Plan is stress tested quarterly against increases in build cost, reductions in income and interest rate changes to understand sensitivities to such external factors.</p> <p>2) Agreed methodology in 22/23 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.</p> <p>3) BoFE forecast underlying increase in interest rates is captured in base business plan forecast and applied to future projections.</p>
5	Insufficient Land Supply or delays in securing land in line with business plan assumptions. (Including delays or inability to secure required planning permissions).	<p>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</p> <p>2) On-going market engagement with land owners and land agents</p>
6	Funding Structure is illegal or not HMRC compliant and penalties incurred	<p>1) Transfer pricing advice and defence documents commissioned and regularly updated.</p> <p>2) Company status confirmed via Counsel</p> <p>3) On-going liaison with Shareholder (sc)</p> <p>4) Tax computations now sitting with Big 4 company rather than local firm.</p> <p>5) New company set up to deal with land transfers more efficiently from a tax perspective (all HMRC compliant)</p>
10	Interruption to supply of materials and labour. Logistic/Supply Chain risk. Including contractor failure.	<p>1) Close working relationships with Contractors to identify signs of early issues and formulate appropriate responses.</p> <p>2) Appropriately qualified employer's agents employed at all developments to monitor contractor activities.</p> <p>3) Credit checks commissioned at tender stage to confirm financial capacity to deliver contract requirements and financial due diligence questionnaires completed with all major partners.</p> <p>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.</p> <p>5) Project Bank Accounts considered where further risk mitigations required.</p> <p>6) Signed up to Creditsafe monitoring agency.</p> <p>7) Sub-contractor register to assess the risk between each project</p>

	<p>12. Sales risk Decrease in sales values or partners not willing to take on affordables at the values required to maintain the required return at a project level.</p>	<p>1) Careful management of sales programmes to ensure incentives offered where possible at the right time.  2) Good publicising of the benefits of a CDL property over a.n. other  3) Discussions held with the council about reputational damage of not delivering additional affordable homes as a result of internal policy changes  4) Contingency in place to mitigate to a limited extent.  5) Sales targets per month established and specific sales cashflow monitoring reported monthly .</p>
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Legal and regulatory issues:	No	Advice taken:	Yes
<p>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.</p>			

The Housing Supervisory Board is asked to:

- Receive the summary of the March 2024 business plan.

**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 2024 10-year CDL Business Plan for consideration.

**1.2.** The following are the main headlines:

- The 2024 CDL business plan delivers 882 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 24 units in the developing pipeline



## 2. Business Plan Deliverables

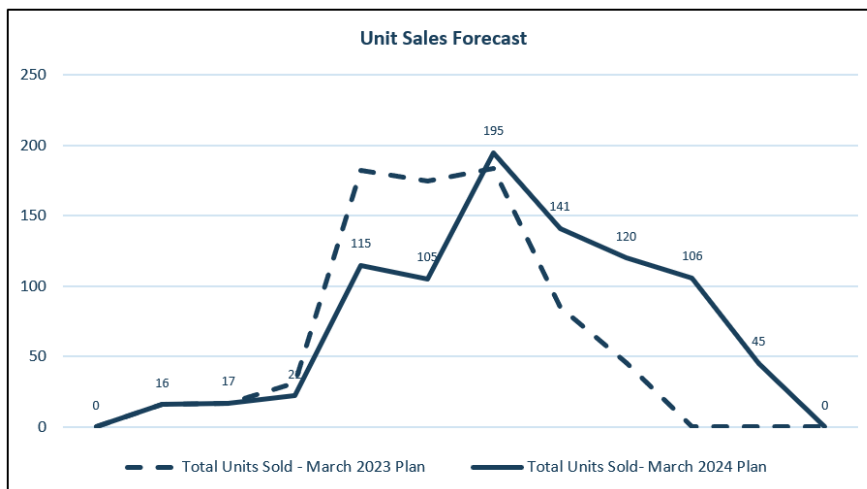
### Units

2.1. The 2024 CDL business plan delivers 882 units across 10 Schemes. This is an increase of 146 units on the 2023 CDL business plan. Table 1 summarises the scheme units.

Scheme Name	March 2024 Plan
The Frith, Crowmoor (approved - completed)	33
Ellesmere Wharf (approved)	23
Ifton (approved)	35
Oaklands (approved)	23
London Road (approved)	135
Phase 2 Scheme	155
Phase 2 Scheme	259
Phase 2 Scheme	102
Phase 2 Scheme	28
Phase 2 Scheme	0
Phase 2 Scheme	89
<b>TOTAL (1 &amp; 2 confidence)</b>	<b>882</b>

2.2. Starts on site and unit sales are shown below.

Year	24/25	25/26	26/27	27/28	28/29
Start on site	0	184	449	0	0



2.3. The total number of affordable units has increased but as a percentage of total units remains the same as the March 23 business plan. The business plan presents a policy compliant approach only across the majority of developments. 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	68	8%
2 Bed	234	27%
3 Bed	262	30%
4 Bed	175	20%
5 Bed	13	1%
Not yet known	130	15%
<b>Total Units</b>	<b>882</b>	

Bungalow	47	5%
House	691	78%
Flat	144	16%
<b>Total Units</b>	<b>882</b>	

**2.5.** Every project in the business plan covers its own costs and exceeds the 5% shareholder return threshold.

**2.6.** The March 2024 business plan includes 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. This approach was approved by CDL Board as part of the approval of the March 2023 Business Plan and work is continuing to put the necessary processes and procedures in place.

### 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**

<b>Social Value (live sites)</b>				
Project Name:	Ellesmere Wharf	Ifton Green	Oaklands	London Road
<b>Social Value Headings</b>				
% of contractors and subcontractors from a Shropshire postcode	65%	60%	92%	60%
Average EPC and carbon savings.	A	A	B	B
Employment and training opportunities	6 apprentices on site	6 apprentices on site	16 apprentices on site	4
Number and detail of Education settings supported by CDL activities		St Martins School, Oswestry, SY10 7BD	Oakmeadow Church of England Primary and Nursery School Bayston Hill SY3 0NU	Shrewsbury College London Road Shrewsbury SY2 6PR
	Quarterly updates to Ellesmere Town Council clerk and local member	Stakeholder Group with two parish councillors and two residents	Quarterly updates to Parish Council	
	One Public Estate funding	Regular engagement with childrens services home adjacent to the site		
	Regular letter drop to local residents to inform of on-site activity	Competition for street naming at St Martins School is now complete.		
	Town Councillor and local member updated bi-monthly as a minimum.			

### 3. Company Financing

#### Capacity

3.1. The peak debt in the new business plan reaches £40.725m in Sep-26 for new build activity. This increases to £44.944m 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. Recommendation

The Housing Supervisory Board is asked to:

- Receive the summary of the March 2024 business plan.



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