



<u>Committee and Date</u>
Housing Supervisory Board
31 st March 2022

<u>Item</u>
6
Public

Summary of Cornovii Developments' 2022 Business Plan

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1. Synopsis

The purpose of this report is to present to the Housing Supervisory Board Cornovii Developments Limited (CDL) 2022 Business Plan, shown at Appendix 1. 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 commercially. The full Business Plan is presented to the Housing Supervisory Board as an exempt item. The proposed outputs contained within the Business Plan will form the basis upon which the Housing Supervisory Board will measure the performance of CDL over the plan period.

2. Executive Summary

- 2.1. This report brings forward a summary of the CDL 2022 Business Plan to the Housing Supervisory Board for consideration and comment. 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 2022-2032, during which period the Company aims to deliver 728 homes, of which 138 will be affordable tenures (rent or shared ownership) across 9 schemes throughout Shropshire. This is an increase of 154 units on the 2021 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 £139m is to be invested in development activity over the period.

- 2.4. All CDL homes delivered under this Business Plan will meet the following standards
- All homes will be built to future homes standards, an EPC A rating and will be 31% above existing building regulation
 - Homes will meet Nationally Described Space Standards
 - Schemes will aim deliver a net gain in biodiversity
 - All homes are designed to be tenure blind

3. Recommendations

- 3.1. For the Housing Supervisory Board to receive the Summary of the CDL 2022 Business Plan, in accordance with the terms of the Shareholder Agreement.
- 3.2. The Housing Supervisory Board is asked to receive the Summary of the CDL 2022 Business Plan and to provide comment and feedback as to whether the plan meets Shareholder requirements.

REPORT

4. Risk Assessment and Opportunities Appraisal

- 4.1. The 2022 Business Plan will deliver 728 new homes across 9 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 2022 Business Plan to understand the level of risk in relation to build cost and income, the two major 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 2022 Business Plan 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 2022 Business Plan will deliver a return to the Council in line with stated expectations. With a total of £139m is to be invested in development activity over the period.
- 5.5. The peak debt within the Plan period reaches £42,681m in July 2025. This is within the funding availability and below the required 7.5% headroom to be 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.
- 6.5. CDL understand the importance of their role in helping the county reach net zero targets. The Business Plan encompasses 15 carbon zero homes, which will operate using air source heat pumps, not only reducing carbon footprint but also addressing energy usage, having a positive impact on future residents' energy bills. Within the 2022 Business Plan CDL have set out their intention to be at least 31% more energy efficient when compared to the current UK building regulation standards.

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 three schemes, recently completing homes at its first scheme, The Frith, where all 33 homes have now been sold or reserved.
- 7.2. The 2022 Business Plan presented to the Housing Supervisory Board demonstrates the growth of the Company as it moves to a period of direct delivery, which during the Plan period will see the development of 728 new homes, 590 market sale 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. CDL will be building all homes to National Described Space Standards and Future Homes Standards. The majority of CDL homes will be built to M4 L2 standards, making the homes easily accessible to wheelchair users, ensuring the homes remain sustainable.

9. Conclusions

- 9.1. The CDL 2022 Business Plan aims to deliver 728 new homes on 9 sites across Shropshire, providing 590 homes at Market Sale and 138 new affordable homes. It is anticipated that all homes will be built to an average EPC A standard 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 2022 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

Local Member

N/A

Appendices

Appendix 1 CDL Summary Business Plan