

Summary of Cornovii Developments Limited 2023 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) 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