

AGENDA SUPPLEMENT (2)

Meeting: Overview and Scrutiny Management Committee

Place: Online Meeting

Date: Tuesday 21 September 2021

Time: 10.30 am

The Agenda for the above meeting was published on 13 September 2021. Additional documents are now available and are attached to this Agenda Supplement.

Please direct any enquiries on this Agenda to Kieran Elliott, of Democratic Services, County Hall, Bythesea Road, Trowbridge, direct line (01225) 718504 or email kieran.elliott@wiltshire.gov.uk

Press enquiries to Communications on direct lines (01225)713114/713115.

This Agenda and all the documents referred to within it are available on the Council's website at www.wiltshire.gov.uk

5 **Public Participation** (Pages 3 - 4)

A question from Mel Boyle is attached.

6 **Wiltshire Council Draft Business Plan** (Pages 5 - 16)

The draft Business Plan Priorities 2022-2032 is attached.

7 **Stone Circle Governance Review** (Pages 17 - 96)

The draft Cabinet Report for 27 September 2021 is attached.

DATE OF PUBLICATION: 20 September 2021
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Wiltshire Council

Overview and Scrutiny Management Committee

21 September 2021

Public Participation

Question from Mel Boyle

Question (21-01)

Please can it be investigated how during a climate emergency when we need local food and biodiversity that the County Farms are being sold off for housing over Government allocation figures, for example as planned for South Chippenham?

Response

Overview and Scrutiny at Wiltshire Council comprises four select committees, with the topic of climate change falling within the remit of the Environment Select Committee. Following the council's declaration of a climate emergency in 2019, Environment Select Committee established the Global Warming and Climate Emergency Task Group to help develop recommendations and a plan for making Wiltshire carbon neutral by 2030.

OS Management Committee leads the OS work programme and it may therefore wish to ask Environment Select Committee to consider inviting its task group to review the issue of county farms when appropriate. This will be proposed at the Management Committee meeting by the Chair.

The question will also be referred to the Executive in order that the council's policy position on county farms can be provided.

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Wiltshire Council

Business Plan Principles
2022 to 2032



Foreword

Wiltshire is a thriving County with a rich and diverse heritage. We are home to half a million people and around half of the population live in towns and villages with fewer than 5,000 residents.

Our strong and cohesive communities continue to be some of our proudest achievements and the way we look out for each other and handle the challenges we have faced together is what makes our beautiful County the best place to live, work and raise a family.

As a Council we know our purpose.

We want the people of Wiltshire to be empowered to live full, healthy and enriched lives. We want our communities to be beautiful and exciting places to live. We want our local economy to thrive and be supported by a skilled workforce. We want to lead the way in how Councils and Counties mitigate the climate challenges ahead.

We are committed to listening to and speaking for Wiltshire. The Council is a modern and democratic organisation that focuses on learning and adapting at pace, paying continuous attention to our area's changing needs and ensuring we do what is right for the people of Wiltshire.

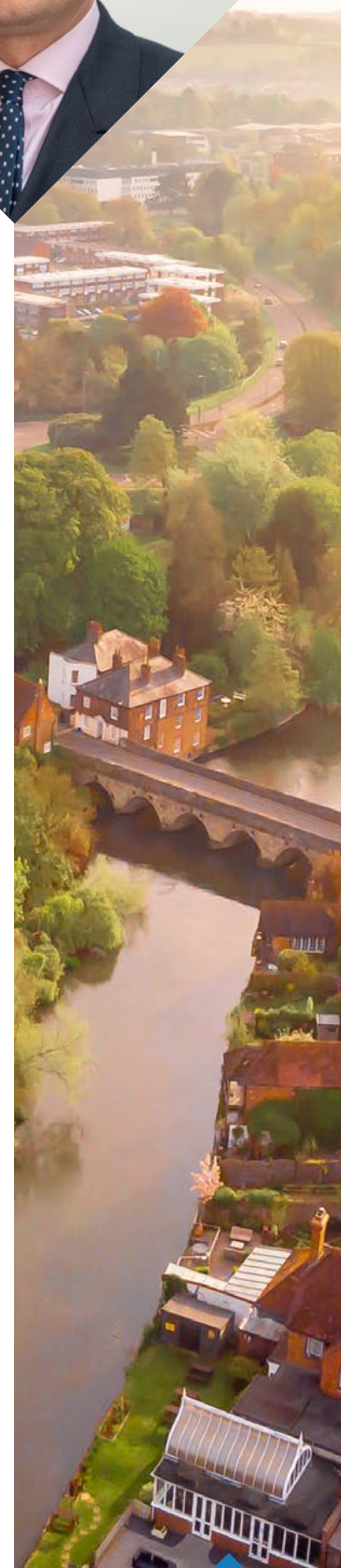
As a result, we are continually reviewing and refining our services to deliver better outcomes that empower local people.

In all that we do we must continue to be inclusive and focus on preventing problems from arising, acting quickly when they do. We must strive to improve social mobility to ensure inequalities in our communities can be reduced.

As we deliver on our next business plan, it is vital we focus on the long-term challenges and plan accordingly. We need to be clear about what we want to achieve and we will do so by working closely with our local communities and partners as we cannot achieve anything in isolation.

My administration will ensure we continue to work with and for our local communities to keep Wiltshire the distinctive place it is, creating pride in our County and our strong communities. It will be courageous and assured in what it is doing, focused on doing what is right for Wiltshire over the long term and taking the kind of action that may not yet have been seen elsewhere.

Cllr Richard Clewer, Leader, Wiltshire Council



Our mission



● Thriving Economy ● Resilient Society ● Sustainable Environment ● Empowered People

Our guiding themes

Prevention and early intervention

We take a long-term view, focusing on what is right for Wiltshire and invest in prevention and early intervention to tackle problems before they get worse. We have a whole life approach to planning and providing services for our residents. This includes our ambition to reach net zero carbon.



Improving social mobility and tackling inequalities

In everything we do, we consider the impact of the action on social mobility and ask how we can help to tackle the disparities in opportunity that exist within Wiltshire.



Understanding communities

We ensure our dialogue with communities is open, transparent and inclusive, in the right place and at the right time so that our services meet our distinctive local need.



Integration

We design and deliver our services in partnership with service users, local communities and other public sector partners where appropriate. We collectively consider how to integrate our work, get maximum value for public sector spend and plan our use of the public sector estate together.



Our mission is to help make Wiltshire a place where:

Empowered People

We get the best start in life – Giving our children the best start in life is a fundamental part of improving their long-term life chances and affords them the best opportunity to live long, full and healthy lives.

We stay active – Keeping socially, physically and mentally active has direct and positive impacts on brain function, weight management, reducing disease and the ability to enjoy life. Improving all these for residents will lead to greater happiness and improved independence.

We are safe – Being safe throughout life and all its facets is a foundation that all should be provided. The Council delivers care services to the County's most vulnerable residents and in doing so accepts responsibility for keeping them safe throughout their lives.

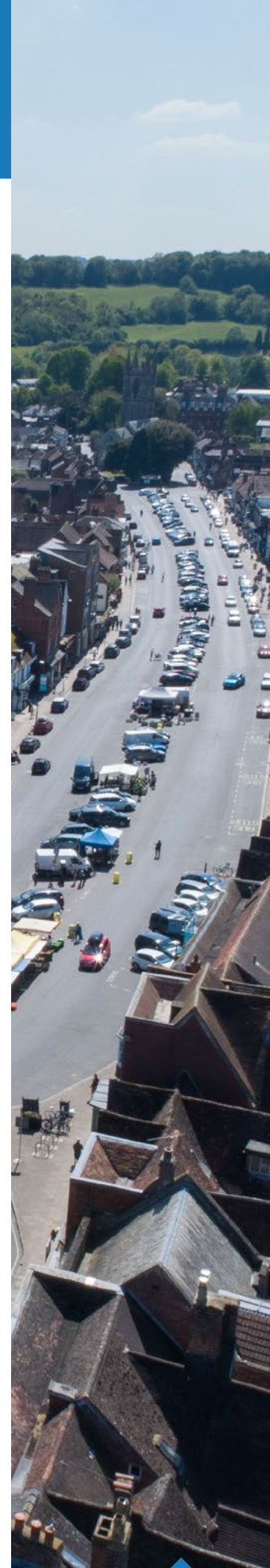


Resilient Society

We live well together – Communities that are cohesive achieve more and are more resilient in the face of shocks and setbacks. A strong community also contributes enormously to a sense of personal wellbeing. It is also one of the known social determinants of health and we want to ensure our communities to be able to grow sustainably with access to leisure, arts, heritage and culture.

We ensure decisions are evidence-based – Communities that get involved and feel they can influence decisions are more engaged and happier. We want to make it easy for everyone to participate and engage in their community and in public services, as well as the decisions that affect their local areas.

We have the right housing - Improving housing supply is critical for ensuring people can live and work locally and play an active part in their community. We want to ensure that residents have easy access to high quality and affordable housing that's close to their family, that's right for them and in beautiful places.



Thriving Economy

We have the right skills to prosper – We need a workforce with the right skills to match their ambitions and provide the skills that our businesses need. We also need to encourage more young people to live and work in Wiltshire. With the right workforce we can continue to attract and retain high value businesses and investment. In all that we do, we will support our market towns to develop and prosper.

We have vibrant, well-connected communities – We want people to be able to get around easily and access good services, including through digital channels. This will help grow the local economy in a sustainable way.



Sustainable Environment

We take responsibility for the environment - Wiltshire's natural beauty, its historic sites, villages, houses and unique habitats and wildlife must be protected and nurtured. They also play a key part in the County's visitor economy and for the wellbeing of the people of Wiltshire. Experiencing the natural environment plays an important role in tackling levels of anxiety, stress and depression.

We are on the path to carbon neutral (net zero) - The Council has acknowledged a climate emergency and committed to becoming carbon neutral as an organisation by 2030. Through its leadership, it must now seek to support the whole of Wiltshire in its ambition for carbon neutrality too. Globally the planet is 1.2 degrees warmer than before the industrial revolution and this is already causing significant climate impacts with more extreme weather having an impact in Wiltshire. Together, we must take responsibility for the environment and ensure it is well used, cherished, protected, conserved and enhanced.



Your council

Wiltshire Council strives to be the highest performing council in the country and wants to deliver over and above its statutory duties.

To achieve this, we will continue to operate as an efficient organisation and we will work ambitiously with our partners, have strong checks and balances in place and a workforce that thrives on its opportunities to innovate and conduct critical analyses.

Our Identity is clear about the organisation we want to be and for our staff this means that they understand what is expected of them and what they can expect from us.

- We are public servants, innovating and collaborating with partners and residents to build stronger communities.
- We are an evidence-based, high performing organisation, we reward achievement, recognise effort and are unequivocally focussed on making a difference and delivering the best outcomes for our residents.
- We are one Council, which is an inclusive and agile environment where we celebrate each other's successes, recognising that our residents don't live their lives in the compartmentalised way that services historically have run.



This will all be underpinned by the following principles.

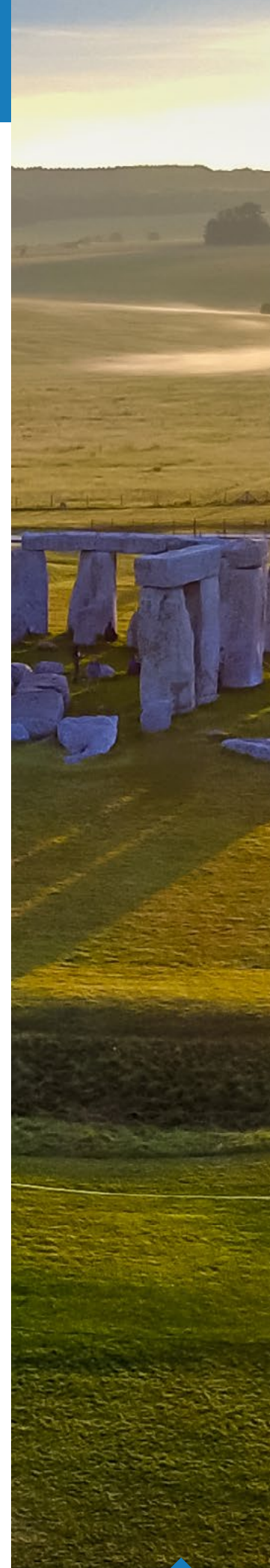
Delivering value (Financial, Performance and Risk Management)

We set our budget based on the contribution that spending makes to delivering our vision and mission.

We have a business-like approach with an up-to-date commercial policy, good returns on our assets and clear business cases for everything we do. Our procurement processes consider the wider social value that can be delivered – for example, carbon reduction, smoking cessation and enabling local and other SMEs to tender for council contracts.

We enable sensible risk taking and report regularly on progress delivering the outcomes in the upcoming business plan.

The Business Plan will be supported by an annual corporate



planning cycle which develops more detailed approaches and resource assessments for delivering each of the outcomes. These will be updated annually and used to inform the annual budget setting.

Progress will be monitored using performance measures that are Cabinet-approved and delivered in conjunction with the Council's Business Intelligence function.

Cabinet will receive combined finance, performance and risk reports on a quarterly basis.

Skilled, agile and engaged workforce

We ensure staff have the knowledge, skills and confidence to be able to respond flexibly, where decisions are underpinned by evidence and data and where we strive to be high performing.

Our Identity is embedded across the organisation and we will deliver a new People Strategy which encompasses organisational (service and job) design, behaviour, ways of working, upskilling, agile and flexible deployment and being able to respond to changing demands.

We build our own engaged and skilled workforce while attracting, selecting and recruiting the best staff – ensuring there is good ongoing recognition and engagement of staff.

Transformation and Business Change

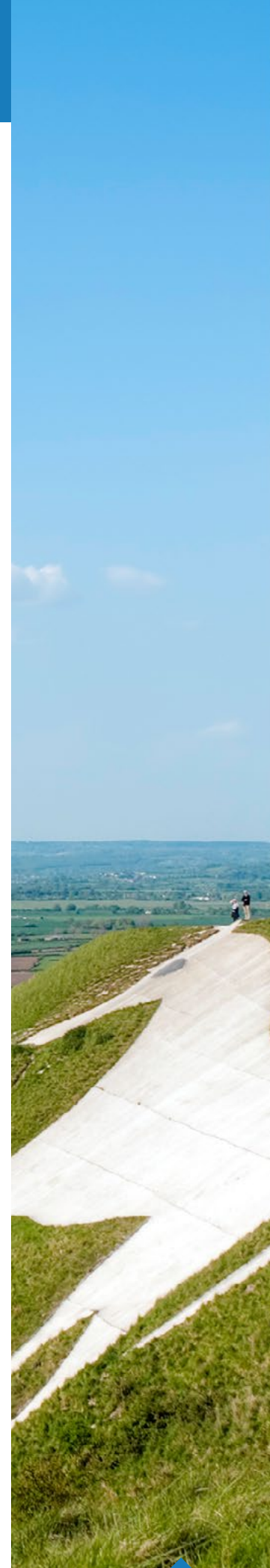
We have clear insight into how our services work from the customer's point of view and measure how well they are performing.

We redesign services through a rigorous programme and project-based approach, with regular checkpoints and benefits analysis.

We create a culture within the Council which enables us to absorb, anticipate and adapt to change, creating organisational resilience through a cohesive vision shared by Council Officers across all services and supported by Members.

We establish the principles, standards and a framework for our range of projects across the Council and develop and deliver a programme consisting of a balanced, affordable and deliverable portfolio that enables the Council to meet its strategic aims and ambition.

We proactively identify opportunities to advance the Council's strategy and vision through transformation initiatives that will deliver measurable performance and business improvement and culture change, embedding the vision set out in **Our Identity**.



There is clear coordination of transformation activity happening, we will bring services together, ensuring alignment with the business plan and key principles and preventing duplication of effort.

Transformational change is not only delivered successfully, but also embedded in the Council's capabilities and operating models are as efficient and effective as possible, being fit-for-purpose in achieving our strategic aims.

Quality, timely and well-structured information and technology

We ensure the communities and businesses we serve can engage and transact with us responsively and seamlessly, irrespective of the services they access.

We empower decision makers with access to accurate, consistent and timely information that supports understanding and insight to deliver the best outcomes for our residents.

We invest and transform digital infrastructure to underpin all of Wiltshire's operations and services.

We redefine the digitally enabled democracy to provide simple but innovative ways to collaborate between residents, businesses and Councillors.



Wiltshire Council

Business Plan Principles 2022-2032

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Wiltshire Council

Cabinet

27 September 2021

Subject: Stone Circle Governance Review

Cabinet Member: Councillor Pauline Church Cabinet Member for Finance & Procurement Commissioning, IT Digital and Commercialisation

Key Decision: Non Key

Executive Summary

This report presents the findings of a governance review, into the Stone Circle companies which was commissioned by Cabinet in February 2021 and conducted by the Corporate Director for Resources and Deputy Chief Executive and the Director of Legal and Governance in the intervening period.

The report sets out the recommendations of the review and their implications. It explains the opportunity to mark a change in emphasis of the Stone Circle companies from set up and commencement to enhanced delivery and commercial success.

The seven recommendations of the review are:

Recommendation 1 (R1) a Business Plan with greater detail including market analysis, risks, sensitivity, performance and forecasting should be produced by the companies especially Stone Circle Housing and Stone Circle Development.

Recommendation 2 (R2) There should be quarterly performance reporting by the companies to the Council in the order Corporate Leadership Team (CLT), an appropriate Task Group or Scrutiny Select Committee and then Cabinet (through the Shareholder Group).

Recommendation 3 (R3) create a Shareholder Group as a sub-Committee of Cabinet with the Leader as Chair with two other Cabinet Members as members with the option to co-opt external commercial expertise to enable the Shareholder Group (after consideration of performance reporting by CLT and Scrutiny) to conduct its role on behalf of the shareholder.

Recommendation 4 (R4) to amend the articles of the company to introduce a three year term for the Chair.

Recommendation 5 (R5) review the appointments to the Board. Now is the time to focus on delivery and therefore the current appointments, although assisting in set-up and initial trading activity, should be amended over a 12-month transitional period. This should include replacing the elected Members on the company Boards, with the advent of the Shareholder Group which will

carry out a scrutiny and challenge function, expanding the membership of non-executive appointments with specific housing sector commercial experience and increasing the general non-executive membership to the Housing and Development companies by two. The Director of Housing and Commercial Development also be appointed to the companies.

Recommendation 6 (R6) request the company to develop and implement an appropriate staffing structure for the companies, to oversee the operations and to drive commercial delivery at pace. This structure could be resourced incrementally and phased against specific trading data.

Recommendation 7 (R7) annual presentation of governance arrangements to the Audit & Governance Committee.

Proposal(s)

1. Cabinet adopts and commits to implementing the recommendations of the governance review over the next 12 months.
2. Cabinet requests the companies to create Business Plans with greater detail including market analysis, risks, sensitivity, performance and forecasting to be presented to Cabinet at a future meeting.
3. Cabinet agrees to create a sub-committee called the Stone Circle Shareholder Group chaired by the Leader with two other Cabinet Members and the option to co-opt external expertise and delegates to the Director of Legal & Governance in consultation with the Leader to make the necessary arrangements and Constitutional amendments.
4. Cabinet requests the Stone Circle companies to provide quarterly reporting to the Council with reports shared with Corporate Leadership Team, Scrutiny and the Stone Circle Shareholder Group starting from January 2022 and to produce its accounts to the Audit and Governance Committee from 2022.
5. Cabinet delegates to the Corporate Director of Resources in consultation with the Leader the recruitment and appointment of new non-executive board directors and officer director to replace current members of the Stone Circle companies and to take all further necessary steps to complete this.
6. Subject to agreeing the above recommendations Cabinet to agree the revised Stone Circle Housing company business plan as submitted to cabinet at its February 2021 meeting such that individual acquisition budgets are increased.

Reason for Proposal(s)

To give effect to the recommendations contained in the Governance Review of Stone Circle companies which provides best practice advice, academic sources and other local government learning on the governance and commercial success of council owned companies.

Terence Herbert
Chief Executive

27 September 2021

Subject: Stone Circle Governance Review

Cabinet Member: Councillor Pauline Church Cabinet Member for Finance & Procurement Commissioning, IT Digital and Commercialisation

Key Decision: Non Key

Purpose of Report

1. Cabinet commissioned a review of the governance arrangements for the Stone Circle companies in February 2021. It agreed a terms of reference and asked the Corporate Director for Resources and Deputy Chief Executive and the Director of Legal and Governance to conduct the review. This report presents the outcome of the review, attached at Appendix 1, explains the implications of the seven recommendations and seeks Cabinet approvals.

Relevance to the Council's Business Plan

2. The proposals in this report support the Business Plan 2017-2027 priority of Growing the Economy and the goal of more affordable homes to rent and buy. The report also reflects our commercialism as an innovative and effective Council.

Background

3. The Stone Circle companies were formed in 2019 and with two principle aims. Firstly, to provide homes to residents whose financial circumstance enabled them to afford rents somewhere between council house levels and the private sector, with rental levels offered at above the local housing allowance as well as allowing access to the homes outside the Council's allocation policy. Secondly, to create homes for sale through developing council owned land. Cabinet set out to review the governance arrangements for the companies, agreeing a terms of reference:
4. As the business of the companies grows a review of governance will be undertaken and reported to the July cabinet meeting. This will follow best practice and learning from other Councils and include:
 - the company governance in relation to the shareholder requirements as set out in the shareholder agreement;
 - a clear process for decisions, performance and risk reporting from the companies through to CLT and Cabinet;

- the role of the Council as shareholder in holding the company to account on its business plan objectives;
- shareholder representation on the Boards;
- clear separation of roles between the council as shareholder and the companies and minimising the scope for conflicts of interest;
- role of the Audit and Governance Committee in overseeing the effectiveness of the governance arrangements;
- role of Overview and Scrutiny.

Main Considerations for the Council

5. Cabinet as the representative of the shareholder should consider the recommendations of the review and the extent to which approving them would support the shareholder's aspirations for the companies. The recommendations offer a shift of emphasis from the setting up of the companies and the commencement of their current business plans, towards a focus on business viability, with greater prominence being given to accelerated delivery and commercial success.
6. The Cabinet may consider that the range of recommended changes such as the board membership, the development of more sophisticated business planning and the acquiring of employee capacity, support greater pace of delivery. The other recommendations such as enhanced reporting provide an improved level of scrutiny and oversight and could also promote commercial success.
7. At its meeting February 2021 cabinet agreed to consider a revised business plan submitted by the Stone Circle Housing company subject to the outcome of the governance review:
 1. ***“ Agree the Stone Circle housing company business plan 2021/22 but serve notice on the company that the increased budget for individual acquisitions is not agreed and will be subject to a governance review and new business plan.”***
8. The Stone Circle Housing company proposes the business plan as in February 2021 which requests an increase in the individual property acquisition price by 25% and also to bring forward acquisitions into 2021/22 such that the target number of acquisitions is 125. The report in February showed that if all properties were purchased at the 25% increased level all debt would be cleared by year 57.
9. At year 50 the business plan is predicting fixed assets of £149m, current liabilities of £18m and long term liabilities of £5m giving a net retained earnings profit and loss of £116m. The current well documented strength of the residential property market indicates that the individual property acquisition budget will need to increase if the company is to be able to compete in acquisitions going forward so as to fulfil the business plan.

Overview and Scrutiny Engagement

10. The Overview and Scrutiny Management Committee will consider this report on 21 September 2021, with comments reported to the Cabinet meeting.

Safeguarding Implications

11. There are no direct safeguarding implications.

Public Health Implications

12. There are no direct public health implications, but it is hoped that faster delivery of affordable housing in Wiltshire will have a beneficial impact on the health and well-being of families who become residents of Stone Circle Housing.

Procurement Implications

13. There are no direct procurement implications.

Equalities Impact of the Proposal

14. A low equalities risk score was calculated for the proposals in this report.

Environmental and Climate Change Considerations

15. Stone Circle development company aims to be a carbon zero developer and will not include fossil fuel use to heat homes in its developments.

Risks that may arise if the proposed decision and related work is not taken

16. Missing the opportunity that this review provides to shift the emphasis of the companies to greater pace of delivery and commercial viability risks the under delivery of new homes and the financial viability of the companies and the return of the Council's investment.

Risks that may arise if the proposed decision is taken and actions that will be taken to manage these risks

17. Care will need to be taken in the selection of non-executive directors to ensure that commercial delivery is progressed whilst accepting the context for the companies being local authority trading companies.

Financial Implications

18. Stone Circle company will need to present a new business plan that incorporates the financial implications of the included recommendations and then update the Council, as Shareholder, of the impact of the proposed direction of travel. In particular presenting the changes to the companies cashflow position, breakeven point and debt position at the end of 50 years as a result of the recommendations being presented today.

19. The Council will continue to keep oversight of the overall position, risk and financial viability of the companies, and this assessment will be updated following receipt of the revised business plan.

Legal Implications

20. There are no legal implications to the proposals.

Workforce Implications

21. The proposals will have workforce implications for the companies as they recruit staff. It is a matter for the companies to take advice on those consequences. Any Council officers appointed as Directors of the boards will need to manage any conflicts of interests, professional conflicts and seek appropriate indemnities.

Options Considered

22. Cabinet commissioned the review but it has the option to disregard the recommendations proposed.

Conclusions

23. The review draws on examples of best practice, academic material and the experience in other Councils with trading companies, to provide recommendations that are designed to enhance the viability and pace of delivery of the Stone Circle companies. Cabinet is advised to implement the recommendations and together with Scrutiny and Audit & Governance Committee, hold the companies to account to deliver their ambitious plans.

Andy Brown, Corporate Director for Resources and Deputy Chief Executive

Report Author: Perry Holmes, Director of Legal & Governance
perry.holmes@wiltshire.gov.uk

16 September 2021

Appendices

Governance Review of Stone Circle companies

Background Papers

None

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Governance Review of Stone Circle companies

**Andy Brown, Corporate Director Resources and Deputy Chief Executive
(Section 151 Officer)**

Perry Holmes, Director Legal & Governance (Monitoring Officer)

Background

Cabinet requested a review of the Governance arrangements for the Stone Circle companies at its meeting on 2 February 2021 [Agenda for Cabinet on Tuesday 2 February 2021, 10.00 am | Wiltshire Council](#)

Terms of reference

The terms of the governance review were expressed by Cabinet as follows:

As the business of the companies grows a review of governance will be undertaken and reported to the July cabinet meeting. This will follow best practice and learning from other Councils and include:

- the company governance in relation to the shareholder requirements as set out in the shareholder agreement;
- a clear process for decisions, performance and risk reporting from the companies through to CLT and Cabinet;
- the role of the Council as shareholder in holding the company to account on its business plan objectives;
- shareholder representation on the Boards;
- clear separation of roles between the council as shareholder and the companies and minimising the scope for conflicts of interest;
- role of the Audit and Governance Committee in overseeing the effectiveness of the governance arrangements;
- role of Overview and Scrutiny.

Background to Company set up

1. The Stone Circle Holding Company was incorporated on 6 September 2019. The Housing and Development Companies were incorporated on 9 September 2019. The Energy Company was incorporated on 2 March 2020.
2. The Cabinet considered the establishment of the Housing and Development Companies at its Meeting on 15 January 2019. The full details can be viewed here (item 9) :

<http://moderngov.wiltshire.council/ieListDocuments.aspx?CId=141&MId=11671&Ver=4>

3. Following a decision to proceed, external advice from legal and finance specialists was obtained and a 2019/20 Business Plan and a range of draft documentation was presented to the Council's Cabinet at its Meeting on 23 July 2019. The Holding, Housing and Development Companies were incorporated following approval of the 2019/20 Business Plan and draft documentation at this meeting. The full details can be viewed here (item 108) :
<http://moderngov.wiltshire.council/ieListDocuments.aspx?CId=141&MId=12816&Ver=4>
4. The 2020/21 Business Plan was approved at a meeting of Cabinet on 7 January 2020. The full details can be viewed here (item 11) :
<http://moderngov.wiltshire.council/ieListDocuments.aspx?CId=141&MId=12506&Ver=4>
5. The 2020/21 Business Plan was adjusted due to the ongoing covid-19 pandemic and it was approved at a meeting of Cabinet on 14 July 2020. The full details can be viewed here (item 15):
<http://moderngov.wiltshire.council/ieListDocuments.aspx?CId=141&MId=13070&Ver=4>
6. The 2021/22 Business Plan was presented and approved by Cabinet earlier this year: [Agenda for Cabinet on Tuesday 2 February 2021, 10.00 am | Wiltshire Council](#) Item 31.
7. A Business Plan for Energy Company is yet to be produced and presented to the Council for approval. At present, Energy Company is dormant and no independent director has been recruited. A Business Plan will be presented to the Council for approval before any activity is commenced.
8. At the meeting of 23 July 2019, the Council's Cabinet approved the following governance arrangements:
 - a. The appointment of the Cabinet member responsible for Housing (currently Richard Clewer) to the Board of Directors;
 - b. The appointment of the Cabinet member responsible for Highways, Transport and Waste (currently Bridget Wayman) to the Board of Directors;
 - c. The appointment of a member of the opposition (currently Ian Thorn) to the Board of Directors;
 - d. The appointment of an independent director to each of Housing and Development Companies with relevant expertise in housing and development respectively (currently Nicholas Samuels and John Terry respectively);

- e. The appointment of two independent directors to Holding Company (currently Nicholas Samuels and John Terry); and
 - f. The appointment of the then Executive Director of Growth, Investment and Place (Alistair Cunningham) and acting as shadow chairman. Upon the senior management restructure which resulted in Alistair Cunningham retiring from the Council, the Council's Cabinet at its meeting on 14 July 2020 approved the appoint of Alistair Cunningham as an additional independent director of all Stone Circle companies. Alistair was then appointed as the first Chairman of the Board by the Directors, a role which is subject to an annual appointment process in each October.
9. The Shareholder's Agreement between the Council and the Holding Company sets out the inter-relationship between the two organisations. Most notably, it includes the following:
- a. The requirement for a Business Plan to be presented to the Council and approved on an annual basis. The Business Plan must include:
 - i. An annual operating revenue plan and capital expenditure requirements;
 - ii. Funding sources;
 - iii. Balance sheet forecast;
 - iv. A minimum 5 year financial strategy plan inclusive of proposed investments, borrowings, key risks and new business;
 - v. Long term projections;
 - vi. Identification of any surpluses and any distribution of any profits;
 - vii. An annual profit and loss account; and
 - viii. Any other such content as the Council may require.

This is presented at a meeting of Cabinet in January with a view to it taking effect for the period 1 April – 31 March of each year. The 2021/22 Business Plans were presented to Cabinet on 2 February 2021. Essentially, the Companies are required to deliver what is set out in each Business Plan.
 - b. In respect of the Development Company, a requirement for a Project Plan in respect of each proposed site to be developed to be presented to the Council and approved. This has been delegated to the Corporate Director for Resources, in consultation with the Cabinet Member for Finance & Procurement, Commissioning, IT Digital and Commercialisation Two Project Plans have been approved and two more have been presented for approval.
 - c. A list of 'reserved matters' which must be referred back to the Council for approval. A copy of these are set out in Annex 1 and include changes to the Board, changes to the Business Plan, creation of security over company assets, payment of dividends and acquiring (or

disposing of) assets with a value of over £30k not approved in the Business Plan.

- d. The Council is entitled to receive copies of reports, accounts and information submitted to the Company, annual accounts and Board Meeting minutes. The Council may also request any other information reasonably required and/or request to inspect books and records.
10. The Council can, as shareholder, pass a special resolution to direct the Directors to take, or refrain, from taking specified action. In addition, the Council can require the directors to convene a general meeting and propose resolutions and circulate statements.
11. The Companies currently borrow loan finance from the Council under the terms of the Housing Company Loan Agreement and Development Company Facility Agreement. These documents were approved by the Council's Cabinet at its meetings on 23 July 2019, 7 January 2020 and 14 July 2020 and is reflected in the relevant Business Plan.
12. Under Company Law, the Shareholder is entitled to attend and participate in General Meetings. The Company is not required to hold a General Meeting unless the Shareholder or Directors require a General Meeting to be convened. Notwithstanding this position, representatives from the Council are invited to attend board meetings of the Directors. Currently, Councillor Pauline Church and Wiltshire Council Chief Executive, Terence Herbert, are invited to attend the meetings on behalf of the Council. In addition, Council officer's Leanne Sykes (from a Company and Council finance perspective), Mike Dawson (from an Company estates perspective) and Simon Hendey (as Council director responsible for housing and estate) attend meetings of the Directors. In addition to members of the Board, these individuals also have access to the Stone Circle SharePoint site where the statutory registers, reports, papers, contracts, meeting agendas and minutes are available to view.
13. Each Director is aware of their statutory duties and duties in respect of conflicts of interests. At meetings of Cabinet, the Directors of Stone Circle who also attend Cabinet declare conflicts of interest and leave the meeting. The Company holds a declaration of interests register and, at each meeting of the Company, members of the Board are invited to declare any conflicts of interest.

Methodology

The Director of Legal & Governance, conducted an initial review of the following:

- the information provided to Cabinet about the setting up of the companies

- the information provided to the Cabinet about the performance of the Stone Circle companies
- the information available in the Stone Circle Sharepoint site
- Consulted with the Leader and Deputy Leader, the Chief Executive, Director for Housing & Commercial, colleagues from Legal Services who provide the company secretary role and legal advice to the companies.
- Considered some academic literature and other best practice information available about the operation of Council owned companies (see references)

The Corporate Director of Resources and Deputy Chief Executive and the Director of Legal & Governance then collaborated in the completion of the review to provide observations and recommendations to Cabinet set out below. The report follows the order of the Terms of Reference.

1. The company governance in relation to the shareholder requirements as set out in the shareholder agreement

In order to consider whether the shareholder's requirements are being met (as set out in the shareholder agreement), it is helpful first to define what is meant by company or corporate, governance.

The seminal definition adopted by the Institute of Chartered Secretaries and Administrators (ICSA), the professional body for company secretaries, is:

'Corporate governance is the system by which companies are directed and controlled. Boards of directors are responsible for the governance of their companies. The shareholders' role in governance is to appoint the directors and the auditors and to satisfy themselves that an appropriate governance structure is in place. The responsibilities of the board include setting the company's strategic aims, providing the leadership to put them into effect, supervising the management of the business and reporting to shareholders on their stewardship. The board's actions are subject to laws, regulations and the shareholders in general meeting.' (This is from the *Cadbury Report (1992) page 14.*)

Observations

The Council as shareholder, through Cabinet, has demonstrably exercised its role in appointing Directors and Auditors. As part of this review Cabinet has the option to change those appointments. This could reflect the development of the Stone Circle companies and the shareholders wish to see new approaches. It could also reflect the issue of company capacity and the wish to see greater commercial drive from within the companies.

In addition, through this review the Council as shareholder can assure itself that an appropriate governance structure is in place. As a Council shareholder there are other factors that need to be considered and most of those are set out below, such as the role of other functions of the wider Council, such as the role of Overview and

Scrutiny, which are unique to local (and central) government and not a normal feature of corporate governance.

a) Shareholder agreements.

The Council took specialist legal advice in the drafting of the Shareholder agreements which appear to provide appropriate safeguards for the Council as shareholder. The Council has been able to exercise its role as shareholder under the terms of the three agreements.

b) Control

The separate legal entity that a company enjoys, raises issues of control. The Council as a shareholder and funder of the Stone Circle companies, and pursuant to the Shareholder Agreements, has a high level of control. This should not stifle commercial activity or entrepreneurial endeavour but does reflect the public accountability the companies have to the residents of Wiltshire.

c) Risk

The Council is taking most of the risk with the activity of the companies. It is the Council who appoints the Directors, who steer the companies to deliver against their Business Plans, which are presented to approval to Cabinet. The Council funds the activity of the companies, through borrowing. The Council currently provides staff to service the companies' activities. The company secretary role, some legal, financial and property roles are conducted by Council officers, charged out to the companies at subsidy control (formerly state aid) compliant rates.

The Business Plans that the companies are working to deliver are short in detail. Details of a format used at another Council owned company, Treveth in Cornwall, attached at Appendix 1 show the scope for providing a more detailed Business Plan. Over time as the concept of the Council owned status of the companies is understood, the focus for the Business Plans could be the commercial performance. A second example of a Business Plan with for example some detailed market analysis, performance and risk from another Council owned company, Goram Homes, in Bristol, is attached at Appendix 2.

Recommendation 1 (R1) a Business Plan with greater detail including market analysis, risks, sensitivity, performance and forecasting should be produced by the companies especially Stone Circle Housing and Stone Circle Development.

2. A clear process for decisions, performance and risk reporting from the companies through to CLT and Cabinet

Observations

Reporting has taken place to Cabinet in line with the terms of the Shareholder agreements. The reporting could be enhanced to mark the move into a delivery phase for the companies.

Recommendation 2 (R2) There should be quarterly performance reporting by the companies to the Council in the order Corporate Leadership Team (CLT), an appropriate Task Group or Scrutiny Select Committee and then Cabinet (through the Shareholder Group).

3. The role of the Council as shareholder in holding the company to account on its business plan objectives

Observations

The Council through Cabinet has the role of holding the companies to account for delivery against their business plan objectives. If Recommendation 1 is implemented that would be a good opportunity to enhance the role of Cabinet in acting on behalf of the shareholder to hold the companies to account. The professional body for local authority lawyers, Lawyers in Local Government (LLG) issued a Code of Practice for the Governance of Council Interests in Companies in (2018). It refers to the option of a Shareholder Group to hold the Board to account with the inclusion of commercial expertise if necessary. The Shareholder Group could be a sub-Committee of Cabinet with the enhanced Cabinet role delivered either through bespoke commercial training for the Shareholder Group to enable areas of focus for their attention, or the adding of some external commercial expertise to the Shareholder Group, as a non-voting co-optee.

Recommendation 3 (R3) create a Shareholder Group as a sub-Committee of Cabinet with the Leader as Chair with two other Cabinet Members as members with the option to co-opt external commercial expertise to enable the Shareholder Group (after consideration of performance reporting by CLT and Scrutiny) to conduct its role on behalf of the shareholder.

4. Shareholder representation on the Boards

Observations

There is currently no definitive critique of the makeup of the Boards of Council owned companies. Anecdotal information suggests that Councils take a mix of approaches to Board membership. Councils often appoint Cabinet Members to the Boards of companies they own. This is a mechanism to provide a link between the executive leadership of the council and the activity and direction of the company. Councils also appoint professional officers and, in some cases non-executive directors with industry expertise. A director of a company has a legal duty to promote the best interests of that company. This can conflict with their other roles. They have a duty to resolve any such conflicts. This has implications for councillors who are also Cabinet Members, therefore having strong links to the shareholder but also a duty to promote the success of the company. This has led to some Councils not including any members on the boards of their companies. The LLG Code of Practice is clear on this point, that although conflicts of interest can be waived by the company, as a matter of law they cannot in a local authority setting, so that a Councillor Director would always have to resolve a conflict of interest in favour of the company. That is because they have a legal duty at all times to act in the best

interests of the company. The LLG Code of Practice therefore counsels against Councillor Directors being appointed, which is consistent with previous Government guidance on the same issue.

There is some academic study on the success or otherwise of companies with Councillor Board members as opposed to those that include for example non-executive directors with commercial proficiency. One study suggests that majority owned Council companies are more likely to succeed. It also theorises that greater political control is a factor in company mortality. This uncomfortable finding is echoed in some of the recent public interest reports issued for considering some of the problems that Council companies have encountered, including Nottingham, Croydon and Liverpool.

The Robin Hood Energy (RHE) Ltd public interest report into the governance arrangements by Grant Thornton

<https://www.nottinghamcity.gov.uk/media/2835756/report-in-the-public-interest-rhe.pdf>) focused amongst other things on the role of councillors on the board.

They made the following comments:

More generally, it is not seen as good practice for councillors to be on the boards of local authority companies, with other mechanisms used to ensure that the company meets the Council's policy objectives. This reflects the above issues in relation to the expertise and experience of many councillors, and the potential for conflicts of interest between the councillors' commitment to the interests of the company, which has to override other interests when they are on company 'business', and their wider responsibilities as councillors. Having councillors on company boards can lead to a failure to properly separate the two sets of interest – of the company and of the Council – and it appears that this occurred in relation to the expectation that the Council would continue to fund RHE indefinitely.

Councillor Clewer has resigned as a director of Stone Circle Holding Company, on his becoming Leader of the Council. Due to other changes in Cabinet membership, the Council has no Cabinet member on the Board of Stone Circle Holding Company and no senior Council officer. It is suggested that there is room for a re-setting of the Board makeup.

There is no Corporate Leadership Team (CLT) representation on the Board. Best practice suggests that if appointing a senior officer to the Board of a Council owned company, that should not be the Chief Executive, the Section 151 Officer or the Monitoring Officer so as not to conflict with their statutory roles.

If recommendations are implemented with the creation of new governance arrangements by the shareholder, it is now the time to move from set up to focus on delivery with the right commercial and housing experience and composition on the board to enable that to happen. It is also good practice and governance for the role of Chair to be appointed annually but also time bound to allow for consistency but critically to focus on the delivery of the business plan and delivery as the company continues to grow.

Recommendation 4 (R4) to amend the articles of the company to introduce a three year term for the Chair.

Recommendation 5 (R5) review the appointments to the Board. Now is the time to focus on delivery and therefore the current appointments although assisting in set-up and initial trading activity, should be amended over a 12-month transitional period. This should include replacing the elected Members on the company Boards, with the advent of the Shareholder Group which will carry out a scrutiny and challenge function, expanding the membership of non-executive appointments with specific housing sector commercial experience and increasing the general non-executive membership to the Housing and Development companies by two. The Director of Housing and Commercial Development also be appointed to the companies.

5. Clear separation of roles between the council as shareholder and the companies and minimising the scope for conflicts of interest

Observations

If the recommendations for the Shareholder Group and the changes to the Board appointments are made there will be a clear separation at a strategic level of the shareholder and the company.

At an operational level, those officers who are currently undertaking company activity are also employed by the Council. The work done for the company is limiting their capacity for Council work and vice versa. As the companies enter the next phase of delivery, it is self-evident that the amount of work necessary will increase. For example if Recommendation 1 is to be implemented, someone will need to write a fuller set of Business Plans, which under Recommendation 2 and 3 will then require detailed performance reporting. These need to feature commercial acumen and insight. This activity, if conducted under the current model by Council officers, will deplete Council capacity.

The company could counter this by employing staff. One of the benefits of Council owned companies is that they can employ staff on commercial rates to carry out the work of the companies. This would increase the current capacity where, council officers who already have considerable council workloads are being asked to conduct company work. The productivity of the companies and the speed of delivery would inevitably increase if staff were employed within the companies. Their costs could be charged against specific projects as a normal overhead.

The roles could start with, for example, the single appointment of a Head of operations, to drive the next phase of delivery. The Council could resist at this stage a Managing Director role, until the scale of activity and turn over justified such a senior position. What a Head of Operations would bring is sufficient commercial knowledge and insight to start to drive commercial performance and delivery.

Such appointments would bring pension costs and human resource requirements of the company would increase.

This could sit alongside some continued “buying back” of other Council services to enable the companies to keep costs down and to provide financial benefit to the Council.

Recommendation 6 (R6) request the company to develop and implement an appropriate staffing structure for the companies, to oversee the operations and to drive commercial delivery at pace. This structure could be resourced incrementally and phased against specific trading data.

6. Role of the Audit and Governance Committee in overseeing the effectiveness of the governance arrangements

Observation

There have been some high-profile Council company failures, with perhaps the most significant to date being Nottingham City Council's Robin Hood Energy which will cost the local taxpayers an estimated £38 million in losses.

Audit and governance issues should therefore be a priority to ensure the correct structure is in place. This review provides assurance around the governance. The audit framework should also be considered.

The company could present its governance arrangements to the Audit & Governance Committee annually so that the Committee, on behalf of the Council, could be assured that they are appropriate.

The direction of travel is for the companies' accounts to be consolidated within the Council's accounts from the 2020/21 financial year, with the materiality and disclosure increasing as the company grows.

Recommendation 7 (R7) annual presentation of governance arrangements to the Audit & Governance Committee.

7. Role of Overview and Scrutiny.

Observations

With the correct timing and allowing for commercial confidentiality, pre-decision scrutiny of the Business Plans of the companies could occur in advance of Cabinet approval. This would allow more democratic accountability of the companies. It would also be another check and balance to encourage commercial success.

This could be coupled with regular performance reporting against the Business Plans to either a Task Group or one of the Select Committees.

Any scrutiny of the companies needs to recognise the commercial separation of the Stone Circle companies and the difference between their interests the Council's interests.

See R2.

Conclusion

The foundations for the newly formed Stone Circle companies are broadly sound. With the shift to a delivery phase from the set-up phase, now is an appropriate opportunity to amend representation and take other steps to ensure delivery of the bold and ambitious plans. More reporting of performance, greater scrutiny of the governance framework and a shift to professional employees should start to offer a step change in delivery.

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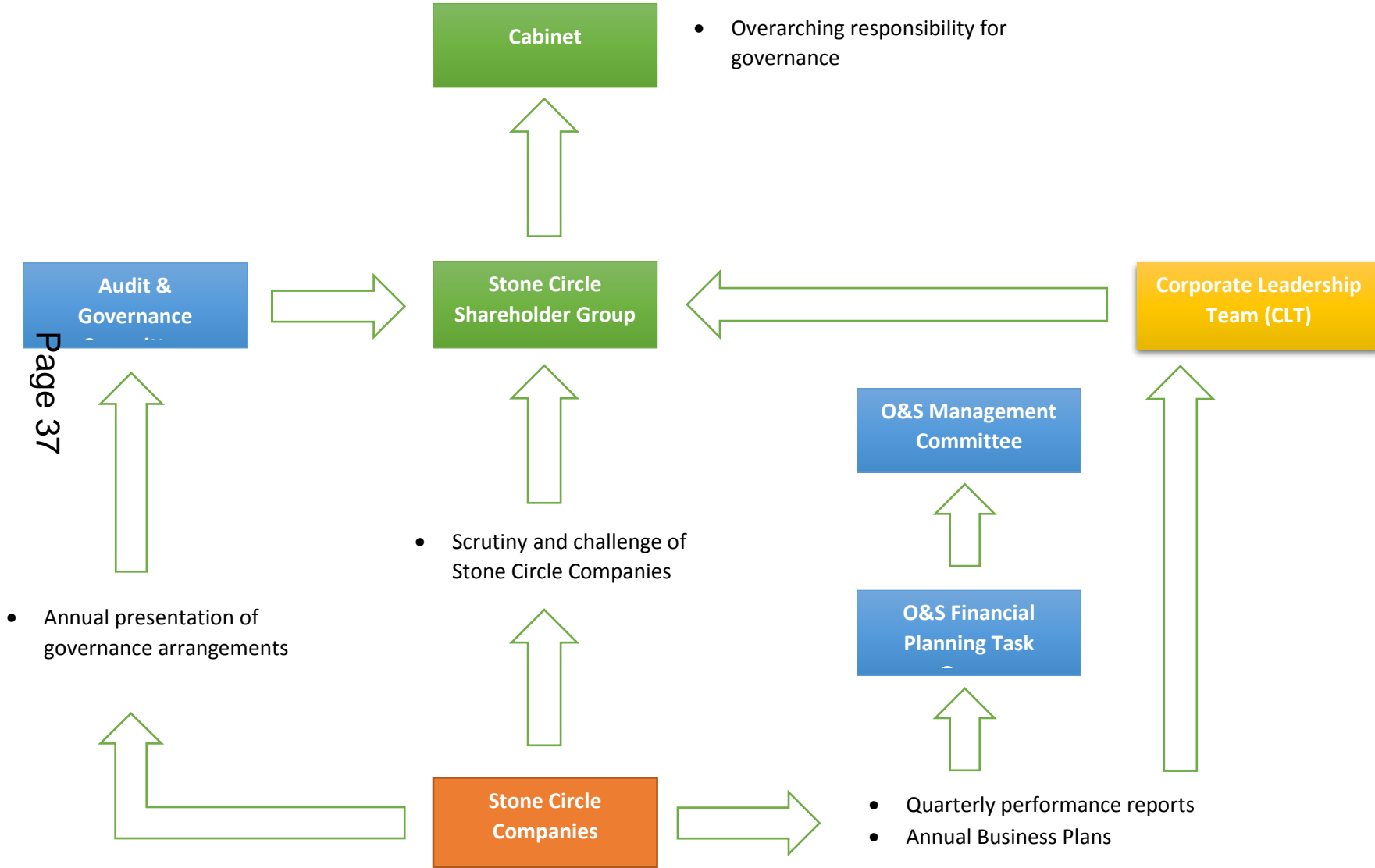
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Stone Circle Governance Diagram



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Treveth Group

Business Plan

2019-2020



CORNWALL
COUNCIL
one and all • onen hag oll



www.cornwall.gov.uk



This is the first year of **Treveth's** operation since its incorporation in April 2019. Treveth is required to have a business plan setting out the entity's priorities. For the first year of operation this business plan represents a holding position to enable the Executives and Chair to be appointed and own the plan into the future.

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Introduction

The Council has established an Investment Programme with the purpose of delivering profit and a return to the Council.

This is a Business Plan for the whole of the Treveth Group. During this first year the new board of Treveth will develop its Four Year Business Plan and One Year Business Plan for 2019-2020 and beyond.

It will look further ahead, whilst at the same time delivering the priorities set out in this plan. Treveth as a new entity will also need to continue to develop its setup arrangements in the first year of operation.

The creation of Treveth is key to the Council putting itself in a position where it has the right legal entity, the governance, capability and the capacity to undertake development at the scale and ambition set by the Council.

Treveth's purpose will be to deliver profit generating activity via a variety of means including delivery of private sector development on land which is either yet to be acquired, or has been

acquired for the purposes of development for the private sector.

The Council has established an Investment Programme with the purpose of delivering profit and a return to the Council. It is envisaged this new entity, with responsibility for the delivery of the Investment Programme, will take the Council's investment strategy to the next level.

Whilst it is recognised that the first year priorities focus on housing development and workspace, Treveth will need to consider the balance between different types of investment and development.


It will be important going forward that Treveth takes into account the different timescales, risk, return and characteristics of each class of investment and development, demonstrating how priorities in the future Four Year Business Plan get the right balance across the whole portfolio's shape.

Context

The main government grant funding to local authorities will be removed for Cornwall from 2020/21. Councils in response are required to become more self-sufficient with the aim of becoming self financing to offset the government grant reduction. Capital programmes have become orientated to generating longer-term revenue returns to the Council.

 **52,500**
new homes

The Cornwall Investment Programme will generate income back to the Council but importantly it will do this by supporting the delivery of the Council's Business Plan, Local Plan 2010-2030, Vision 30s economic route map, the Environmental Growth Strategy 2015-2065 and Connecting

 **74,000m²**
of workspace

Cornwall through the delivery of the Local Transport Plan. In short, the Cornwall Investment Programme will support the Council to deliver **52,500 new homes, 74,000m² of workspace and 38,000 new jobs by 2030.**

The Council has initiated a

 **38,000**
new jobs

number of priorities which are set out in this business plan to achieve this.

Going forward, Treveth Holdings will deliver these and lead on the identification and delivery of priorities to be brought forward for approval by the Council.



Treveth Group

Primary purpose

- To generate a return to the Council to supplement changes to income, whilst at the same time supporting the Council's economic development priorities of job creation, economic growth and improved housing.
- Estimated gross investment by the Council will be £600m by 2023, delivering a minimum net 3.5% return back to the Council across the portfolio.

Secondary purpose

- To ring-fence the Council against third party risk.
- To provide Treveth with a sufficient degree of autonomy to enable it to act quickly and respond to market opportunities in ways which the Council cannot.
- To ensure there is the expertise and capability to deliver the priorities and flexibility to recruit and reward/retain appropriately skilled development and investment expertise.



What will Treveth do?

Treveth will undertake the following activities:

- **Acquisition of sites** and site assembly.
- **Strategic planning and a longer term investment strategy** which will set out the rules, behaviour and procedures to develop an investment portfolio across different markets.
- **Securing value through planning permissions and larger scale master planning** and design briefs to support site development.
- **Acting as the master developer** for large-scale development including but not limited to:
 - The acquisition of land
 - Investment in infrastructure
 - Securing planning permission
 - Undertaking master-planning
 - Retaining or selling packages of land for development by a wide range of providers
- **Acting as the holding vehicle** for a range of assets including Council owned assets.
- **Management of assets that the LLP holds** including the delivery of housing management, landlord responsibilities and fulfilling regulatory requirements.
- **Provide investment and development and consultancy services** to the Council and its direct delivery programme.
- **Developing the market conditions, procurement and contracting models** to drive value and support delivery.

These activities will be undertaken in Cornwall for Cornwall. They will not extend beyond Cornwall.





Types of scheme Treveth will deliver

Residential

Treveth will deliver a mix of tenure including:

- **Private rented**
- **Private market sale**
- **Section 106 affordable housing** in line with the planning requirements set out in the Local Plan
- **Shared ownership**, subject to schemes being mortgageable.

Business and industrial

- **Business and industrial sites**
- **Workspace investment**

Mixed use

- **Combination** of residential, business and industrial across single sites.

Wider commercial opportunities

- This could include a range of investment propositions from a range of sectors including for example energy, materials, industrials and information technology.

The Council's commercial property portfolio

- **Lead on the proposals and delivery of the transformation** of the commercial estate of the Council.

What it will not deliver

- **Financial investments** - these will continue to be managed within the Council.
- **Infrastructure developments** such as roads, bridges and cycle paths.
- **Wider capital programme of the Council** which is not for a commercial purpose i.e. schools and social care.
- **Affordable Housing over and above the Section 106 requirements** in any private residential scheme.



How will Treveth operate?

Operations

Treveth Holdings is a Limited Liability Partnership (LLP). **This means that:**

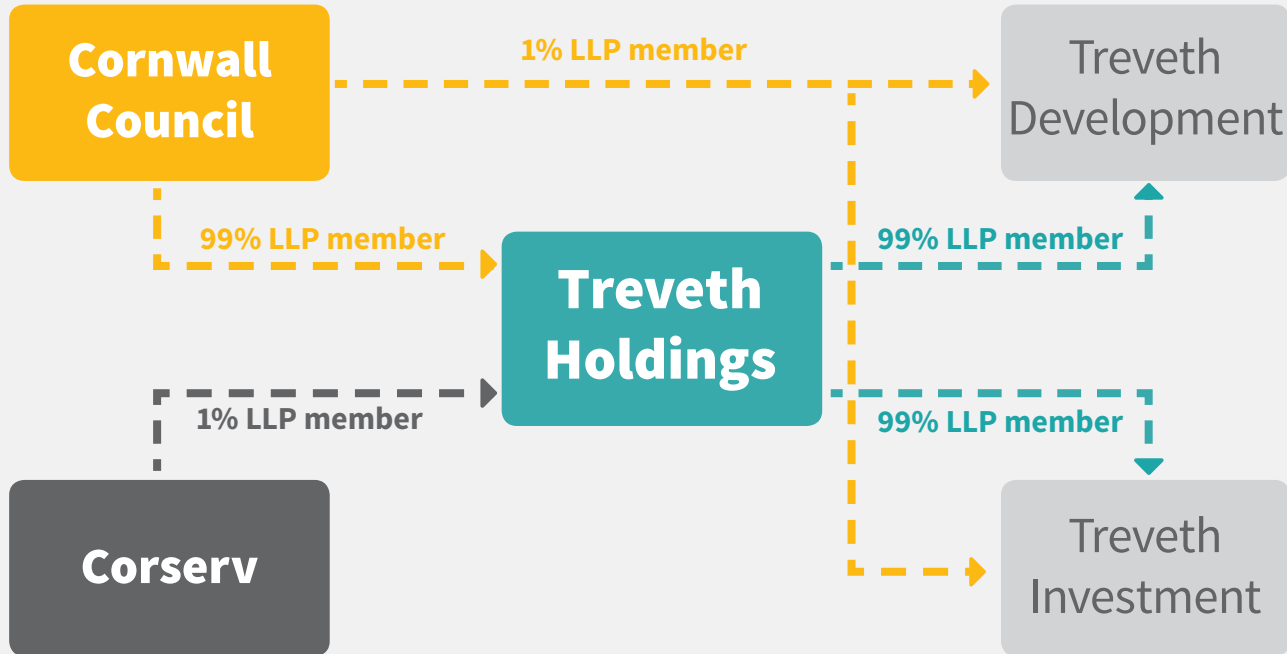
- ⦿ **It allows the Council to lawfully participate in investing** in the development of private sector development.
- ⦿ **The Council may directly award work to Treveth Holdings without undertaking a procurement process** because it is a Teckal-compliant entity satisfying the requirements of Regulation 12 of the Public Contracts Regulations 2015.

Structure

- ⦿ **Treveth is structured as a group.** There is a parent LLP referred to as Treveth Holdings which sits between the Council and two subsidiary LLPs. These subsidiaries are referred to as Treveth Investment and Treveth Development. For these subordinate LLPs, the majority partner will be the holding LLP with the Council as minority partner.

Relationship between the minority and majority partners

The Council is the majority partner being a **99% shareholder** and controlling member. Corserv is the minority partner as a **1% shareholder** for Treveth Holdings.



The relationship between the partners are enshrined in an LLP Agreement which contains the respective **rights and obligations of the members of the LLP:**

- Each member shall use its best endeavours to **promote the business and interests** of the LLP.
- Each member shall **exercise its voting rights and powers of control** in relation to the LLP so as to give full effect in terms of the LLP Agreement.
- Each member shall **show the utmost good faith** to the LLP and to other members in all transactions in relation to the business and affairs of the LLP.

Each member shall share the profits in line with the agreed profit proportions. This means the Council will have 99% of the rights to the profits of the LLP and Corserv will have 1% of the rights to the profits of the LLP.

Conversely, if there are any losses these will sit with the Council. The Court has broadly the same powers over an LLP as over a limited company which means that an LLP member may become personally liable for the debts of the LLP.

The members (Council and Corserv) will be represented on the Project Committee. Most of the day-to-day

decisions will be made by the Project Committee. However, there will be matters (largely dictated by statute) that will need to be determined in a meeting of the designated members only.

In addition to this, **there will be a list of Reserved Matters that cannot be undertaken by the LLP without the express approval of Cornwall Council only.**

The members agree to keep the proprietary information of the LLP confidential. This is important if the minority partner were to decide to no longer be a member.

Reserved Matters

Reserved Matters are those decisions which Treveth Holdings requires the Council to make. Treveth Holdings can recommend an approach, however, the Council is required to make the decision. Reserved Matters are defined in the Articles of Association and the LLP Member Agreement for Treveth Holdings.

The process for approving and recording decisions will be defined in the LLP Member Agreement between the Council and Treveth Holdings. All Reserved Matter requests will be directed to the Shareholder Support function of the Council and then directed to the right place within the Council.

All Reserved Matter decisions are executive decisions of the Council and therefore subject to the decision making process as described in the Council's Constitution.

Treveth will have internal Reserved Matters between the subordinates and parent LLP to ensure that decisions are taken in the right place across the group.



Procurement

This section deals with Treveth's relationship with the supply chain it needs to deliver the objectives.

Treveth will be responsible for strategically developing the supply chain to deliver the priorities. It will need to do this in conjunction with the Council's capital programme to ensure that the impacts of the strategies are not negatively colliding.



As stated in the introduction, Treveth's purpose, Treveth is being set up to act in a commercial manner to deliver profit to its owners. It is not anticipated that it will be carrying out activities in the general interest and as such is not likely to

be considered to be a contracting authority for the purposes of the Public Contracts Regulations 2015.

This affects the requirements for Treveth to advertise works and services.

Delivery methods

There are likely to be range of delivery methods available to the vehicle which could broadly include the following, and which will need to be developed over time.



Supply Chain Contracting

- Utilising existing contractual frameworks
- New procurement activity for services not covered under existing arrangements
- New procurement activity for scheme/project specific



Developing Joint Ventures

- Range of commercial models and options within this area



Developer/Investor

- Financing companies for share returns or other benefits



Straight Purchase

- Turnkey solutions
- Completed schemes



Governance

Relationship with the Council

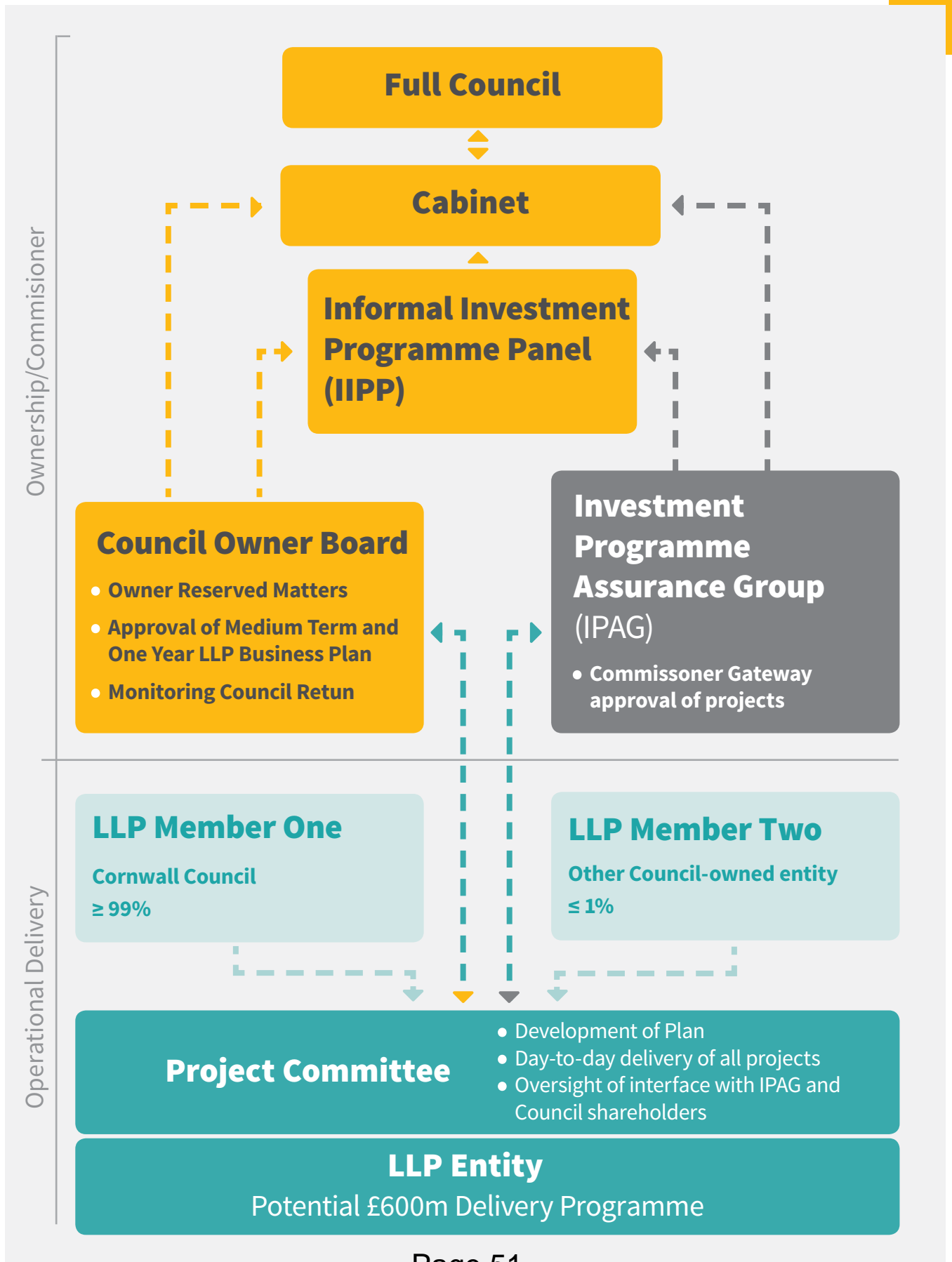
The Council will have a number of different roles with Treveth:

- It will **exert control over Treveth Holdings** as both **the owner** and **the client/commissioner**.
- It will have **enhanced voting rights** and **powers** and **a right to a predominant share** of all of the profits generated by Treveth Holdings (99%).
- It will **influence the strategic direction of Treveth** in a number of key ways:
 - Approving the LLP's Four Year Business Plan and One Year Business Plan
 - Approving the budget for the LLP
 - Making Reserved Matter decisions
 - Oversight and assurance of individual projects

Principles of Governance

- **The relationship between the LLP members and Treveth Holdings is important.** See the diagram on the opposite page.
- **The governance needs to give expression** to the delivery of the different relationships the Council and Corserv have with Treveth Holdings.
- **Elected members will not be represented at the operational delivery level** in terms of the day to day activities of Treveth Holdings.
- **But they will be involved in the priority setting and oversight of the delivery** of Treveth Holdings through the Owners Board, Informal Investment Programme Panel and through Scrutiny, Cabinet and Full Council.
- **Officers of the Council and Corserv will be on the Project Committee for Treveth.** These representatives will report progress to the Owners Board.

Governance arrangements





Key meetings



Key roles and responsibilities include:

- **Preparation of the LLP's business plan** (Four Year and One Year)
- Responsibility for **the achievement of budgets and operational plans**
- **Delivery of a cash return** to the Council
- Management and regular review of **operational and financial performance of the business**
- **Appraisal of project development** prior to submission to the Council
- **Market shaping and development**
- **Responsibility for compliance** with policies and relevant regulations
- Ownership for **the identification and management of risk across** the business
- **To manage** the internal control environment and **prepare regular reports for presentation** to the Audit and Risk Committee
- Responsibility for **the integrity of management information** and **financial reporting systems**
- **Development of policy guidelines**
- **Workforce mobilisation, planning** and **review of the legal structure** and to propose **recommendations to the Board**

Project Committee of Treveth Holdings

- **The Project Committee will focus on operational delivery.** The subordinate LLPs will meet at the same time for expediency but will be clearly differentiated in their terms of reference
- **This is the equivalent of a company board** and will include a Chair, three Non Executive Directors, the Managing Director, and Commercial/Finance Director
- It will include **partner member representation from the Council and Corserv**
- **Meetings will be held regularly as determined.**

Owner Board

- There will be an **Owners Board for Cornwall Council**. This is **the equivalent** of the Shareholder Board
- **The Owner Representative will be the Leader of the Council** unless formally delegated
- It will focus on **ownership interests only**
- **The Board will meet every 6 months**
- **Membership of the Board** will include:
 - Cabinet Member for Customers (Chair)
 - The Leader of the Council (Owners Representative)
 - Cabinet Member for Homes
 - Cabinet Member for Planning and Economy
 - Chair of the Investment Programme Assurance Group
 - Chief Executive of the Council
 - Section 151 Officer
- **Attendance** from the member representatives:
 - Strategic Director for Economic Growth and Development (representing the LLP)
 - Minority partner representative

Key roles and responsibilities include:

- **Oversight of the strategic direction** of Treveth
- **Approval of the Business Plans** prior to key decision.
- **Approval of an Annual Report**
- **Oversight of the accounts**
- **Oversight of the cash return** to the Council

Investment Programme and Assurance Group (IPAG)

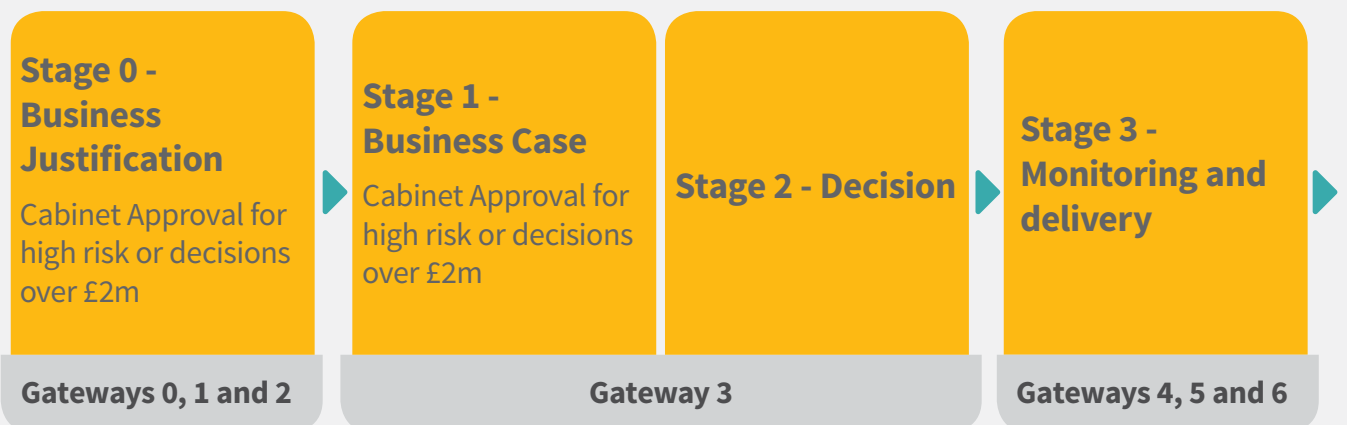
- **IPAG will focus on the oversight of the Investment Programme** and the approvals of commissioner gateways
- **This is an officer-level board and will provide technical oversight and assurance before decisions are presented to Cabinet and Council**
- **The IPAG Representatives will include** the Chief Executive of the Council, S.151 Officer, Service Director for Assurance, Service Director – Commercial Services, Strategic Director or Economic Growth and Development and Member Representative on the Project Committee for Treveth Holdings and the Strategic Commercial Advisor
- Representation will also be included from Treveth Holdings
- **IPAG will meet at least monthly**

Key roles and responsibilities of IPAG include:

- **Critical appraisal** of the projects
- Oversight of the **gateway process**
- Management of the **portfolio and interdependencies**
- Oversight of **the financial models** at both project and portfolio level
- Interface with the **Council’s key decision making process**

Project Assurance Process for IPAG

IPAG have a staged process for project assurance. Treveth Holdings will support this process.



Informal Investment Programme Panel

- The Cornwall Informal Investment Programme Panel will provide comments on projects being progressed for Cabinet decision.
- It is not a decision-making panel, it is strictly an advisory body and has no executive powers.
- It will provide an independent viewpoint on the projects to ensure the Council remains focused on the financial return and delivery of the ambitions of Cornwall's Local Plan, Strategic Economic Plan and Cornwall's Environmental Growth Strategy.
- The panel will aim to ensure the best use of public funding to support the prosperity of Cornwall, ensuring robust and transparent appraisal processes and criteria are adhered to and report on progress to the Cabinet.

Business Plan

Business planning provides a framework for the Council to ensure the priorities of Treveth are aligned to the Council's priorities.

There will be a **four year rolling business plan** setting out the priority areas for business growth and development. Annually there will be a detailed **One Year Plan**.

The approval of the business plan will be aligned to the budget. One of the priorities of year one of operation will be to develop a Four Year Business Plan.



Finance

The Council and Treveth Holdings have agreed a financial model to support schemes and portfolio appraisals.

Loan facilities are to be established of:

- **Term loan - £165m**
- **Working capital - £65m**
- Of which first year draw down estimated at **£43m to enable land acquisition, scheme design and start of on site construction**

Cornwall Council will provide the loan facilities to Treveth Holdings at a state aid compliant rate. Treveth Holdings will manage the cash flow between Development and Investment.

Loan repayment and interest will be returned to Cornwall Council, with distributions from profit shared between the LLP members in line with the LLP Members Agreement.

In line with the agreed outputs of the Investment Programme, a minimum 3.5% net return back to the Council is expected across the portfolio.



Project priorities

The schemes here are the priorities for Treveth as part of its business plan and will be its priority.



The schemes are at different stages of development and approval.

Progress through the gateway process and stages will improve the confidence around the project parameters and viability.

It may also mean that some schemes do not meet the thresholds for approval once they have been developed. It is possible that by exception new schemes will be identified for future years' business plans during the year.

There will be two exception points where schemes can be brought forward for key decision. These will be in September and February, in line with Council's budget decisions.

Approved mixed schemes for 2019/20

Project	Description	Start	End	Current gateway	Business Case submission
Carlyon Workspace – land acquisition	Investigating location to provide high quality, affordable workspace to support local industry and provide jobs.				
Pydar Regeneration	Mixed use redevelopment of a key strategic site in the centre of Truro, including demolition, site clearance and remediation.				Nov 2019
Treliever Creative Village, Penryn (Phase 1) Land acquisition	Urban extension to Penryn to support economic growth including the universities. The site will also deliver student accommodation and housing.				
South Crofty	Positive long term generation of the South Crofty mine. Purchase shares through the Opportunities Allocation £1m	Jan 2019	Jan 2019	02 - Feasibility	Dec 2018

Approved residential schemes for 2019/2020

Project	Description	Start	First completed homes	End	Current gateway	Business Case submission
Tolvaddon (HDP)	Pilot residential development for 38 HDP homes	Mar 16	18/19	July 19	06 - Commissioning	Aug 16
Bodmin Phase 1 (HDP)	Pilot residential development for 75 HDP homes	Mar 16	18/19	Aug 19	06 - Commissioning	Aug 16
Maudlin Farm, Liskeard (HDP)	Lead on commissioning, securing Planning Permission and the delivery of 46 HDP homes	Oct 17	19/20	Feb 21	05 - Delivery	Aug 18
Bodmin Phase 2 (HDP)	Securing planning permission and commissioning to directly deliver c.100 HDP homes	Mar 16	20/21	Feb 22	04 - Procurement	Nov 18
Tolgus, Redruth (HDP)	Lead on securing planning permission and to directly deliver c.140 HDP homes	Jan 18	21/22	Mar 25	02 - Feasibility	Feb 20
Trevithick Manor, Newquay (HDP)	Securing planning permission and commissioning to deliver 150 HDP homes	Mar 18	21/22	Dec 24	02 - Feasibility	Feb 20
Langarth, Truro (HDP)	Delivery of c.154 HDP homes on strategic housing site in Cornwall		23/24	May 25	02 - Design	June 19
Launceston	Securing planning permission and commissioning to directly deliver c.140 HDP homes	Jan 2019	21/22	Sept 24	01 - Viability	Feb 20

Approved business and industrial schemes for 2019/2020

Project	Description	Start	End	Current gateway	Business Case submission
Agrifood Launceston	Strategic A30 site for services, agribusiness hub and associated employment space	Sep 19	Mar 25	01 - Viability	July 20
Hayle Marine Renewables Business Park	Develop space on the current Renewable Business Park of 700m2 in tow industrial units/ warehouses.	Sep 19	Sept 21	01 - Viability	July 19
Aerohub Phase 2	Developing the plot and leasing to the business. Grow on space from Plot 2.	May 19	May 21	01 - Viability	Feb 19
Carludon Tech Park	Developing the plot and leasing to businesses. Grow on space from Plot 2.	Mar 20	Mar 20	01 - Viability	Dec 19
Agrifood Business Park Bodmin	Demolition of existing outdated buildings and creation of accelerator unit, small % office space, storage distribution hub targeted to food processing business on a CC site.	Mar 20	Mar 2022	01 - Viability	Dec 19
Liskeard Cattle Market employment space	800m2 developed on former cattle market space.	Mar 20	Mar 22	01 - Viability	Dec 19
Falmouth Offices	To redevelop a vacant plot at the Falmouth Business Park to provide 1500m2 of office with a pre let.	May 19	Mar 21	01 - Viability	Feb 19

Non-project priorities for year one

- Finalisation of structure and recruitment to capacity.
- Governance in place and fully operational both within the LLP and between Treveth Holdings and the Council.
- Four Year Business Plan developed including a broadening and balancing of the portfolio.
- Approval of a balanced scorecard and benchmarking KPIs.
- Development of a supply chain to support the delivery of the priorities.
- Exploring opportunities for Treveth to support the improved commercialisation across the wider estate.
- Development of a model for shared ownership and affordable housing.
- Development of a Pattern Book for housing and workspace.
- Asset management strategy, to include valuation policy, acquisitions and sales.

Performance - KPIs

Development

- Home/investment units completions per year
- Tenure types completed per year
- Build cost per unit and per square metre
- Land as a percentage of average selling price on approval
- Average selling price per completion
- Average square footage per completion
- Reservation rates per completion
- Length of sale/ let from completion
- Customer satisfaction on sale
- Use of renewable energy/ carbon footprint
- Order Book for future years (volume and value)
- Build quality for key stages of build

Investment

- Repair spend on let units
- Average letting price
- Average length of tenancies
- Average length of empty homes
- Tenant satisfaction

Financial Health – by scheme and portfolio

- Financial return to the Council
- Total operating income
- Total operating costs
- Total operating surplus
- Cash flow forecast

Commercial - by scheme

- Teckal Compliance
- State Aid Compliance
- Public Procurement Regulations



The team

Staff will be employed or engaged by Treveth Holdings.

Treveth Holdings LLP project committee

Majority
Partner
Member

Minority
Partner
Member

Chair

Three Non-
Executive
Directors

Managing
Director

Director of
Finance and
Commercial

The team structure will be partly capitalised and partly funded through a fixed overhead.



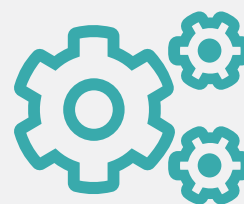
The Commercial
Division

The Commercial Division will be responsible for the financial, economic and commercial activities of the relevant LLP. It will be responsible for the commissioning of support services, project and performance management of services delivered to the Council. It will be responsible for the development of the Business and One year plan and ensuring that there are the right company structures to support the business.



The Development/
Investment Division

The Development/Investment Division will be responsible for the creation of a portfolio of investment/development opportunities; acquiring sites; obtaining planning permissions; bringing forward development and disposal of assets; ensuring the sites are investment ready; developing the right strategic and commercial relationships to deliver the schemes and bringing forward schemes through the appropriate approval processes.



Operational Division

The Operational Division will be responsible for managing the assets in the relevant LLP to maximise value. This includes fulfilling landlord, housing management fulfilment of regulatory responsibilities and rent collection. There will not be sufficient assets in any LLP to warrant a dedicated director therefore there will be an Operational Manager overseeing the responsibilities reporting in to the Commercial Director. However as each LLP grows the capacity will be reviewed.

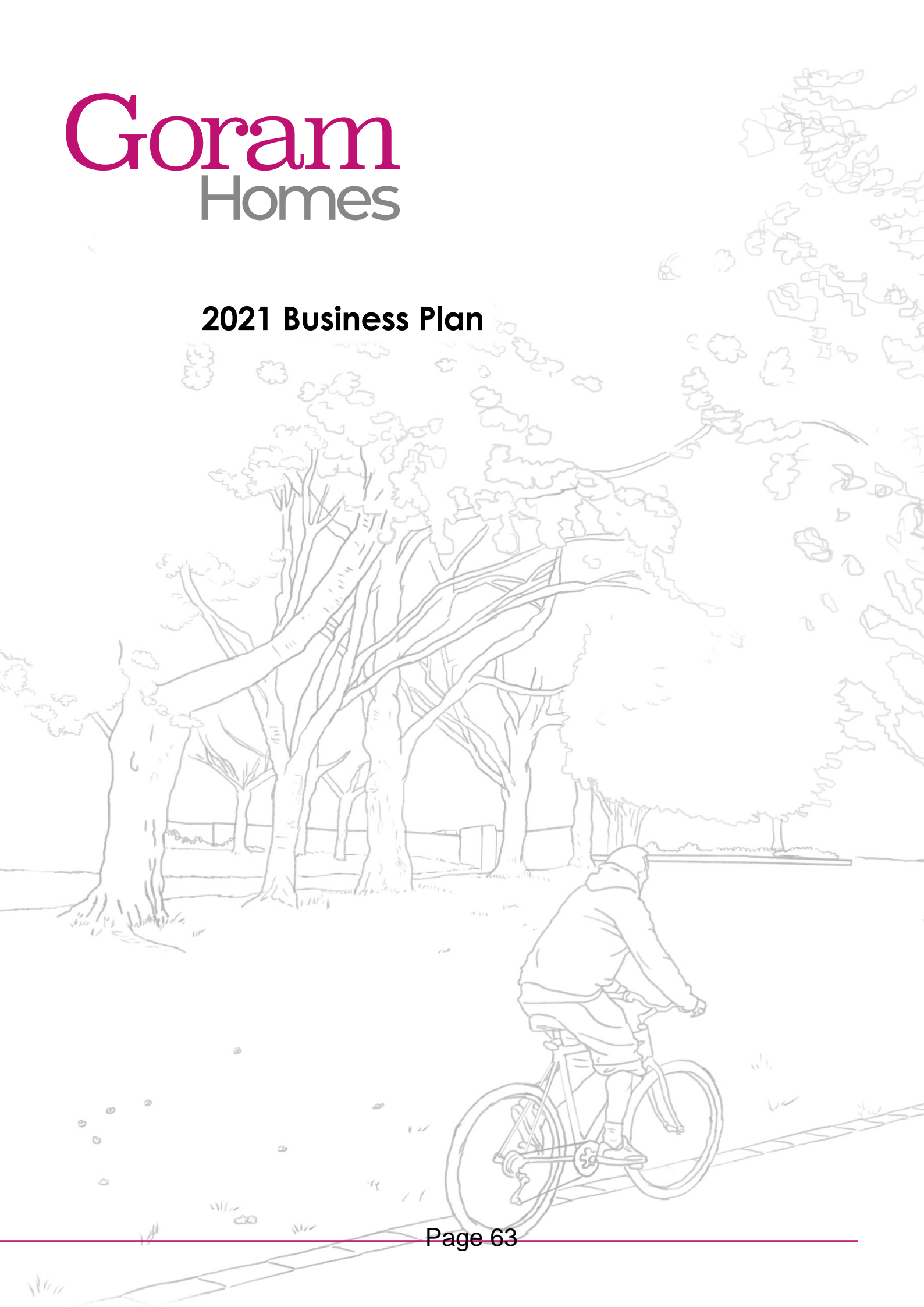
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Goram Homes

2021 Business Plan



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Introduction

Chairman's Review & Forecast

Goram Homes is uniquely positioned as a leading local housing developer with a strong land supply that can really deliver for Bristol and our shareholders.

Our business model and partnership approach, which brings together Council land with private sector investment, represents minimal financial risk and high return for the City of Bristol – both economically and socially.

We are committed to being a company that Bristol can be proud of – one that balances our profit and purpose and adds value to our City. This is why we are working towards gaining the **B Corp certification** as a way of measuring and sharing how we are meeting the highest standards of social and environmental performance.

Goram Homes plans to build over 1700 new homes, of which more than 600 will be affordable. Through our partnerships we will spend in excess of £250 million redeveloping sites with an aim of 75% of this going to local businesses. Our developments will create twelve new communities and, wherever possible, bring new public spaces and ecologically friendly features to local areas.

We have a robust balance sheet, and the majority of financial risk is contained within site-specific Limited Liability Partnerships. In addition, a share of the profit will be invested back into the city via Bristol City Council - value that other housing companies and developers haven't delivered before.

I am proud that, despite unprecedented global events, under the leadership of our Managing Director, Stephen Baker, the new team have made significant progress.

In September 2020, working closely with Bristol Holding & Bristol City Council, we signed contracts on our first project to deliver 268 new, high quality homes in Lockleaze at Romney House. We responded rapidly to COVID-19 with the safety, health and wellbeing of our employees, customers, suppliers, and partners as our top priority.

An existing agile IT set up allowed our team to transfer to remote working very quickly. The team have continued to work throughout the pandemic, and it was not necessary for Goram Homes to access either of the Government's tax deferral or job retention schemes.

Current trading and outlook

The market has made a strong start to the second half of the year supported by positive market trends. Our partners on the Romney House project, Vistry Group, reported that their sales rate, since July 1st, was up by 20% on the previous year at 0.73 (2019: 0.61). This is reflected by others operating in the Bristol region. Our market insight reports that pricing remains firm and we see minimal cost inflation.

Goram Homes is well positioned to capitalise on these opportunities, and we are on track to deliver a strong performance in the second half of the year.

By the end of 2020/21 we will have:

- Entered into our first joint venture contract
- Established a full development programme of over 1700 homes
- Established a repeatable legal joint venture template
- Established a fully operational business

Goram Homes' Mission & Values

Goram Homes works in partnership to build quality homes that create communities which are environmentally, socially and economically sustainable. Our values, reflect who we are and who we want to be:

- We are passionate about what we do
- We build partnerships with purpose
- We innovate to succeed

For our people: This means we employ people who share our values – they are committed to working in partnership and passionate about building communities that are celebrated for their design and sustainability credentials.

For our partners: We are adaptable, fleet of foot, we will work collaboratively and consider different approaches to achieve our goals.

For our communities: We work in partnership with our communities to build homes where they want to live, that respect the environment, contribute to the economy and are sustainable.

Goram Homes has three primary objectives, to:

Objectives	Targets
<p>Objective 1: Increase the supply of new homes built each year across Bristol</p>	<ul style="list-style-type: none"> ■ By March 2025, to have delivered at least 500 new homes and to have an identified pipeline of projects which, in total, will deliver a further 2,000 homes.
<p>Objective 2: Build good quality homes and create communities where people wish to live</p>	<ul style="list-style-type: none"> ■ For all projects to meet at least 10 out of 12 on the <i>Building for Life</i> (BfL12) score. ■ To achieve and maintain a 90% customer satisfaction score.
<p>Objective 3: Operate commercially and provide financial returns to Goram Homes' sole shareholder – Bristol City Council</p>	<ul style="list-style-type: none"> ■ Deliver a programme level 15% profit on Gross Development Value. ■ Operating costs delivered in line with forecast income to achieve profit targets.

Summary of Financial Projections

In this section we have set out the forecast financial returns of Goram Homes and the cash payments made to Bristol City Council for land sold into Goram Homes up to 2026.

In 2020 we created our first joint venture to start development at Romney House and we will soon enter our second agreement for a development at Baltic Wharf. By the end of 2026 we plan to have generated £14m of profit after tax and paid £27m of cash to Bristol City Council in relation to land purchase loans created on acquisition of land from Bristol City Council.

The table below shows an extract of our financial activity from 2020 to 2026 (although developments will remain in progress beyond the timeline of the Business Plan). The projections we make in this section will continue to change each year as details of our development schemes evolve. This reflects the development process being a long-term cycle where it can take up to four years from the start of a project to all homes being sold.

Financial extracts £'000	2020	2021	2022	2023	2024	2025	2026
Cumulative Retained Profit/(Loss) after Tax	(820)	(1,956)	(3,283)	(2,743)	1,491	8,741	13,935
Cumulative Realisation of land value paid to BCC	-	2,820	8,148	12,513	13,802	18,292	27,184

Location & Operational Area

Goram Homes functions from its office base in Bristol and our primary focus will be to operate within Bristol, particularly as our first developments will be on land provided by Bristol City Council.

However, as the business grows and becomes more established in the marketplace, development opportunities will arise which span a wider geographical area.

Branding & Communications

Goram Homes has a distinct model which blends a high quality, commercial offer with our commitment to delivering added social value - remaining true to our origins. Goram Homes' branding and communications reflect the values and ambitions in the business plan and are designed to build understanding and engagement with our shareholders, partners, and the communities we work with.

We will deliver:

- A brand strategy aligned to business objectives; future-proofed and flexible enough to allow us work with partners beyond Bristol
- A digital-first approach; innovative use of technology wherever possible to widen our reach, respond to consumer and stakeholder behaviour and ensure we are as accessible as possible
- Mission and values which articulate our distinct business model and social value simply and clearly
- Narrative and messaging which tells our story, reflecting both our origins and our business ambitions and industry expertise
- A visual identity and logo that is clean, fresh, commercial, and appealing. A brand that looks at home next to competitors and partners
- A language and tone of voice that is human, inclusive, and jargon-free
- Community engagement that is open and transparent – tailored, interactive, accessible
- Content that celebrates our partners and our city and champions innovation and local talent
- Partnerships and collaboration with like-minded businesses, influencers and industry leaders who are committed to investing in people, quality, and innovation



Artistic impression of the new neighbourhood at Romney House – HTA Design



Artistic impression of the new neighbourhood at Baltic Wharf

B Corp

Goram Homes is a commercially run business with social values at its heart. Delivering homes that Bristol is proud of, in developments that build real communities and are celebrated for their design and sustainability credentials is what drives us. This is why, over the coming year, Goram Homes will be working towards gaining **Certified B Corporation status**.

Certified B Corporations are businesses that meet the highest standards of social and environmental performance, public transparency, and legal accountability to balance profit and purpose. B Corp Certification is the only certification that measures a company's entire social and environmental performance.

B Corp Certification offers Goram Homes an evidence-based approach that proves to our partners and stakeholders that our business is meeting the highest standards of performance.

An additional benefit is the link to **Bristol City Council's One City plan**. This plan brings together a wide range of public, private, and third sector partners within Bristol with the shared goal of making Bristol a fair, healthy and sustainable city. Both B Corp and the One City plan are based on the UN's Sustainable Development Goals and so, by gaining certification, we will align our business with the One City Plan's ambitions.

Social Value

As well as acting commercially, contributing positively to society and acting as a catalyst for long-term change in the places we work is a priority for Goram Homes.

We will generate social value through the delivery of new homes and developments which transform buildings, environments, and communities. In partnership with communities in which we operate, we will identify and deliver engagements that address their specific needs and enable better business and community wellbeing. By working collaboratively with our stakeholders, we aim to create the maximum economic, social, and environmental impact in all that we do.

We will record and measure our social value using the **National Themes Outcomes and Measures (TOMs) Framework**. Goram Homes' TOMs, developed with the Social Value Portal, are aligned to Bristol City Council's TOMs, but focused on our activity and the National Real Estate TOM's. Using this framework, we have challenged our partners to combine high- quality urban design with a community investment strategy that addresses local priorities, fosters social innovation, and supports economic growth. Each of the projects we work on will be measured on an annual basis and validated by the Social Value Portal.

We will focus on four key themes:

- 1. Innovation: Promoting Social Innovation**
Investing in diverse and inclusive community networks and leveraging our skills and expertise to address local issues and facilitate social innovation.
- 2. Jobs: Promote Local Skills and Employment**
Contributing to local economic growth by supporting local businesses, investing in infrastructure and improving employment prospects for local people e.g. by working with the South Bristol Skills academy.
- 3. Social: Healthier, Safer, and more Resilient Communities**
To have a positive impact on our residents and employees' mental and physical health and reduce inequalities.
- 4. Environment: Decarbonising and Safeguarding our World**
Build a resilient community that unlocks growth in the green economy, regenerates ecosystems and enables people to interact with the natural world.

The assessments for our first two projects are:

Project	Quantified Social Value Generated
Romney House	£14.2m
Baltic Wharf	£10.6m
	£24.8m in Total

Environmental


In 2018 Bristol declared an environment and climate emergency. Goram Homes believe that the climate emergency demands urgent action and leadership across the construction industry. We must act now, ensuring that new and retrofit buildings deliver as close to net zero whole life carbon in advance of any future regulation. We know that net zero operational carbon is possible, and we are committed to extending good practice to all our future work and leading the way. For this reason, sustainability underpins our approach to operations and business planning.

To ensure that our words are matched by actions, Goram Homes will adopt the **RIBA 2030 Climate Challenge Targets** for operational energy use, embodied carbon and water use reduction. The targets are progressive yet realistic and a vital first step to ensure the construction industry has delivered significant reductions by 2030. Our project teams will aim for a percentage reduction of the current environmental baselines for future projects (after Romney House and Baltic Wharf) by using the targets set out in the detailed tables below.

RIBA 2030 Climate Challenge target metrics for domestic buildings

RIBA Sustainable Outcome Metrics	Current Benchmarks	2020 Targets	2025 Targets	2030 Targets	Notes
Operational Energy kWh/m ² /y 	146 kWh/m ² /y (Ofgem benchmark)	< 105 kWh/m ² /y	< 70 kWh/m ² /y	< 0 to 35 kWh/m ² /y	UKGBC Net Zero Framework 1. Fabric First 2. Efficient services, and low-carbon heat 3. Maximise onsite renewables 4. Minimum offsetting using UK schemes (CCC)
Embodied Carbon kgCO ₂ e/m ² 	1000 kgCO ₂ e/m ² (M4i benchmark)	< 600 kgCO ₂ e/m ²	< 450 kgCO ₂ e/m ²	< 300 kgCO ₂ e/m ²	RICS Whole Life Carbon (A-C) 1. Whole Life Carbon Analysis 2. Using circular economy Strategies 3. Minimum offsetting using UK schemes (CCC)
Potable Water Use Litres/person/day 	125 l/p/day (Building Regulations England and Wales)	< 110 l/p/day	< 95 l/p/day	< 75 l/p/day	CIBSE Guide G

RIBA 2030 Climate Challenge target metrics for all buildings

Best Practice Health Metrics 		References
Overheating	25-28 °C maximum for 1% of occupied hours	CIBSE TM52, CIBSE TM59
Daylighting	> 2% av. daylight factor, 0.4 uniformity	CIBSE LG10
CO ₂ levels	< 900 ppm	CIBSE TM40
Total VOCs	< 0.3 mg/m ³	Approved Document F
Formaldehyde	< 0.1 mg/m ³	BREEAM

In line with Bristol City Council's One City Climate Strategy and Ecological Emergency Strategy, Goram Homes is committed to delivering increased biodiversity and carbon neutral housing. How we achieve this will vary from site to site but will result in additional costs ranging between 8% and 11% of existing project costs. This would lower the price payable to the Council for the land and mean we would need to obtain additional borrowing from either the Council or a third party lender.

We will also adopt the **Building with Nature Standards** - a framework of standards for good green infrastructure which encourages developers to create places that really deliver for people and wildlife.

Innovation

Established in Bristol, for the people of Bristol, Goram Homes is dedicated to exploring new ways of working that will benefit our city and deliver our developments most effectively. Whether that is working with Bristol Housing Festival on Modern Methods of Construction or using new technologies to engage the public in the consultation process, we are open to adopting new tools and emerging solutions. As a small, agile company that collaborates with a range of creative businesses, we are perfectly placed to embrace innovation and embed it into our practices.

Future Cities Catapult have identified nine housing innovation concepts they believe can help solve many of the challenges facing the housing industry. Goram Homes will focus on five of these areas where we can integrate best practice into our business and our innovation action plan, created with Bristol Housing Festival. For the full action plan see [Appendix C](#).

Connected Homes

- The number of connected devices in homes is predicted to grow rapidly from the current level of 10–20 to more than 35 by 2020, according to Intel
- With more connected devices in homes, a more integrated and efficient approach is required to help manage all devices and relevant apps from a variety of suppliers
- The advancements in wireless network and automation technology are enabling home-used devices to be better connected and controlled smartly

Low Carbon Houses

- Greenhouse Gas Emissions (GHF) are not falling at the rate required to meet the UK's 2050 carbon targets
- Domestic energy use contributes to about 30% of the UK's total energy budget and 20% of UK's GHG emissions, representing a key area for decarbonisation, according to the Institution of engineering and technology
- A large percentage of preventable winter deaths are attributed to living in a cold home, according to the thinktank, E3G

Assisted Living

- The UK population is getting older, with 18% aged 65 and over, of which 32% are living alone, according to Office of National Statistics (ONS)

- Nearly one in eight older people now live with some level of unmet need that would limit their ability to carry out vital everyday tasks, according to Age UK
- Almost one-fifth of the UK population are disabled, and over a quarter of those experience some form of limitation of choice or control over their daily lives, according to ONS

Modern Construction Methods

- Productivity growth in the construction sector has been low and lagged behind the UK economy since 1995, which has limited the sector's ability to deliver more and better homes
- By 2026, the construction industry could see a 20-25% decline in the workforce, according to Homes England
- 10% of the UK's carbon emissions are directly associated with construction, according to UK Green Building Council

Innovative Financing

- To meet the UK's 2020 housebuilding objectives or retrofit existing housing stocks to meet the 2050 carbon targets, the public funds available fall far short of what is required
- Smaller house builders were usually disadvantaged in accessing private finance
- For home buyers and buy-to-let investors, finding the best mortgage deals has never been easy

Building for Bristol

Bristol's best interests are our first priority, and that commitment is built into our governance structure with Bristol City Council as our ultimate shareholder and Council representation on our Board.

Open and honest communication is the key to effective engagement, and this will be at the heart of our approach to consultation.

We know that local residents often have an intimate knowledge of a location we are redeveloping and their insight can help us deliver

high-quality, mixed tenure, new homes for Bristol. We will be creating as many opportunities as possible to engage directly with Bristol residents and reflect their voices and needs in our work.

We want to reach underrepresented groups and the often-silent majority to ensure that as many people as possible have a chance to contribute. To do this, we will work with specialists and our partners to identify the biggest barriers to engagement, find the most effective solutions and, where appropriate, employ new

methods and technologies, to ensure our consultations are as representative of the community as possible.

Building homes that create strong communities is part of our commitment to investing in Bristol. Our 2021 Business Plan will include recommendations on how we could retain an interest in the management and maintenance of all schemes we deliver, to empower residents and reassure them that we will be alongside them when they buy a home from Goram Homes.



Artistic impression of the new neighbourhood at Romney House – HTA Design

Market Analysis

Goram Homes have worked with **BuiltPlace** who provides independent data-led research, analysis, and reporting on the UK housing market to complete a review of both the UK housing market and the local Bristol market.

UK Housing Market

2020 was an incredibly volatile year for the UK's housing market with massive uncertainty about the current, let alone future, state of the economy and housing market. There are clearly some big changes underway in terms of how we live and work, but it is not yet clear whether they are temporary adjustments to the pandemic or the start of longer-term trends. That volatility and uncertainty looks set to continue into 2021 with the added disruption of Brexit. However, there are hopeful signs that some of the short-term challenges will disappear with the UK's vaccination programme well underway.

Last year started with some signs that the housing market was bouncing back following a couple of years of lower house price growth and subdued transactions. The General Election result suggested an end of the Brexit uncertainty was in sight. Activity levels including mortgage approvals for house purchase increased and Nationwide reported higher rates of house price growth. But then the pandemic and lockdown hit.

For perhaps the first time in recent history, the housing market was not directly responsible for or implicated in the economic crash.

House prices, although unaffordable to many, were at the levels you would expect given earnings and mortgage rates. New mortgage borrowers were perhaps the least risky they have ever been given the hurdles they needed to pass. Meanwhile, government and mortgage lender support have helped many households get through the lockdowns. Thanks to all these factors, and despite the collapse in the economy and transactions, there was no immediate crash in house prices.

The housing market reopening in England caught many by surprise but it quickly became apparent that there would be a summer boom. Interest and activity data showed there were large numbers of people financially unaffected by the recession. Some of those were keen to get on with their delayed move. Others had reassessed what they wanted from their home during lockdown and decided to move. To top it off, the government launched a stamp duty holiday, and the summer boom was set. Many of the sales agreed over the summer only started to complete at the end of 2020 and high activity levels should continue through to the end of the stamp duty holiday, currently due to end on the 31st of March 2021.

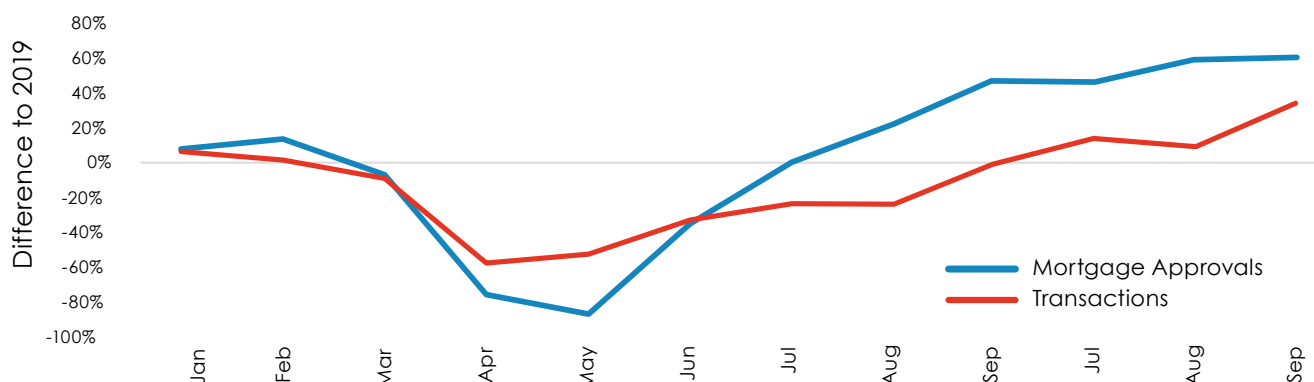


Figure 1 – Housing Market Activity Source: Zoopla, Bank of England, HMRC

The housing market avoided a crash during 2020 but the prospects for 2021 are far less certain. There are already signs that the boom is slowing with lower price growth reported in January 2021. However, the end of the stamp duty holiday in March will create a spike in transactions as buyers rush to beat the deadline. Many of those buyers would have bought in following months but chose to bring their purchase forward. That suggests turnover will be much lower in the following months if the holiday is not extended.

Unfortunately, low turnover increases the risk that a relatively low number of forced sales, whose impact might normally be contained, could have a bigger negative impact on the wider market. The approach of mortgage lenders will be essential in keeping forced sales to a minimum and they will be under considerable pressure to do so. Their return to lending at higher loan-to-value ratios could also help first-time buyers return to the market during this period. However, even with a successful vaccine programme, there will still be some parts of the housing market at risk from rising unemployment, falling incomes, and falling rents in 2021.

Separating the impact of Brexit on the economy from the pandemic is difficult but there are some early signs it is having a negative impact on some parts of the economy. It is increasingly clear that any benefits will be realised over the longer term but some costs are immediate and significant. Therefore, it is still far from certain what impact Brexit will have on the housing market. This is yet another large uncertainty that makes predicting the future particularly difficult if not near impossible at the current time.

There are a range of different outcomes for the UK's housing market this year and, unfortunately, all are currently possible. There remains the significant risk of a crash though we could instead see stagnation with low sales and static house prices. Alternatively, there might be a boom driven by home movers continuing to trade location for space or an economic recovery thanks to the vaccines. Whatever happens, volatility and uncertainty look set to continue.

Bristol Housing Market

Bristol's housing market has been popular during recent housing booms with house prices rising faster than the national average during periods of higher demand. Emerging data from ONS suggests that this trend is continuing with Bristol house

prices rising 8.4% in the year to November 2020 compared to 7.6% across England & Wales. House price growth is likely to continue through the first quarter of 2021 as the bulk of sales agreed since the 2020 summer boom finally reach completion.

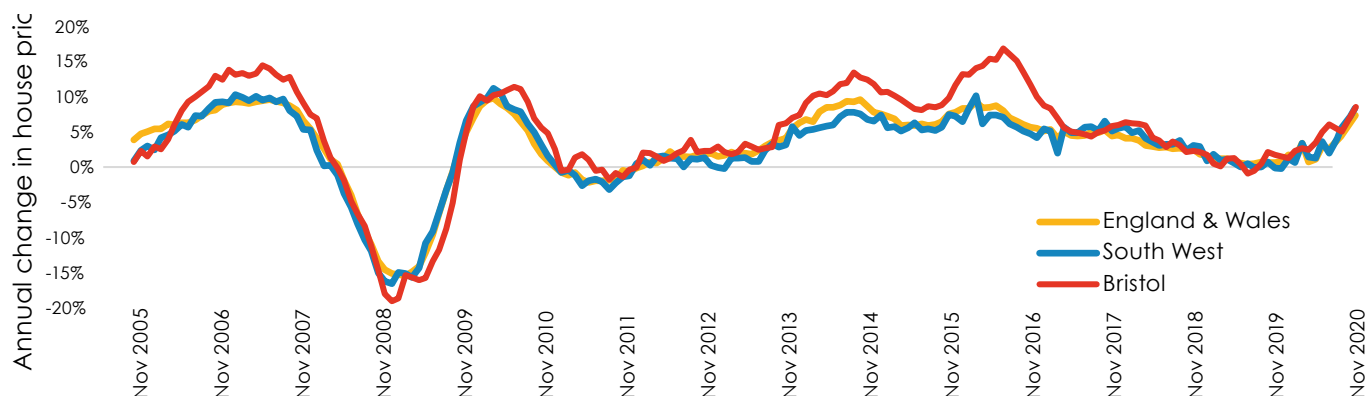


Figure 2 – Annual Change in House Prices Source: ONS UK HPI

Much of the local market evidence on the trends emerging post lockdown is based on anecdote or limited data. Therefore, it is still not clear which are temporary changes and which are permanent. Despite this uncertainty, there appears a broad national trend in stronger demand from wealthier buyers for larger homes. Particularly those in more desirable locations. Those locations may not exactly match with popular areas prior to the pandemic given commuting is less of a constraint but there will be some continuation in terms of school catchments, local amenities, and other attractive features. While this trend does not cover every buyer, there does appear to be, for those that can afford it, a shift away from city centre living to less dense locations.

The shift towards less dense living is a challenge for a city like Bristol. Analysis of Energy Performance Certificates, a useful leading indicator for total new housing supply, shows that around 70% of Bristol's new homes have been flats in recent years. This reflects the type of housing development in the city with most lower density development occurring in surrounding districts. It also

reflects the large contribution to net housing supply made by changes in use of exiting non-residential properties. The latest MHCLG data reiterates this issue, with Bristol adding 19% fewer net additional dwellings in 2019-20 than the year before. This was largely due to 80% fall in the number of new homes delivered under Permitted Development Rights. The Energy Performance Certificate data also provides a guide to the impact of the lockdown on the Bristol new build market with 50% fewer certificates lodged during the second quarter of 2020 when compared to the same quarter in 2019.

While the need to build more homes remains high, the country faces unique challenges in coming months and years. Bristol is no different. Cities are under threat from changes in housing demand with inner London providing the starkest warning. An ongoing rental demand shock due to fewer workers, tourists, temporary residents, and students is leading to a collapse in rents. While other cities such as Bristol should not be as exposed to all these factors as the capital, it is a clear warning of the threats they face in these volatile and uncertain times.

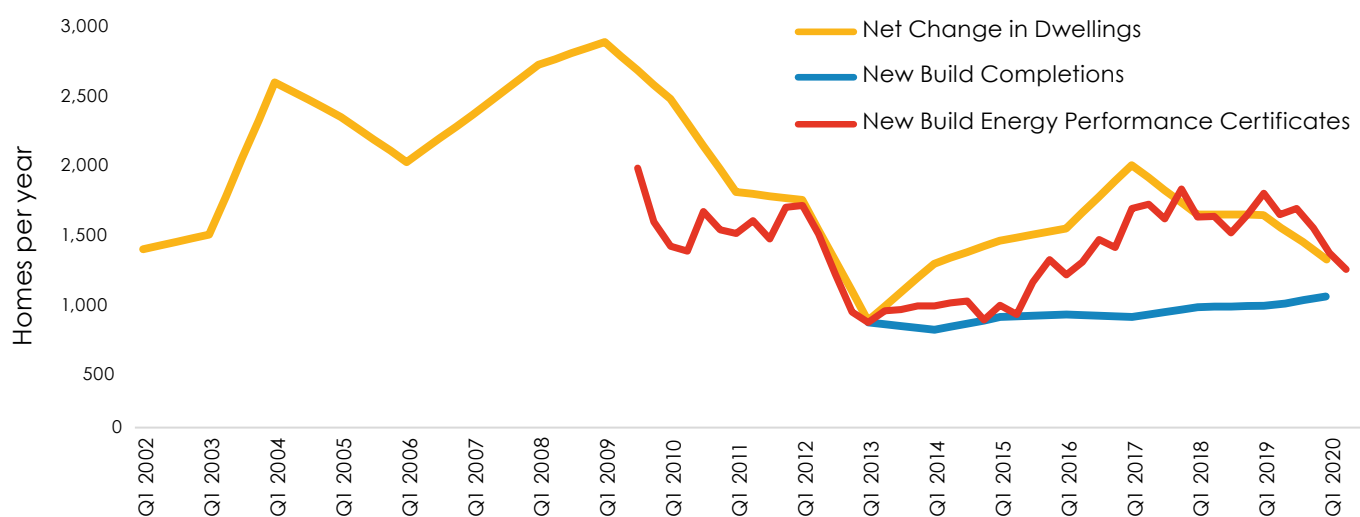


Figure 3 – New Housing Supply, Bristol Source: MHCLG

Development Activity

Site identification process

Our primary source of sites is Bristol City Council. Goram Homes is one of the Council's key delivery vehicles in the fight against the housing crisis - especially for larger market facing and mixed tenure projects. Therefore, it is critical that land flows from the Council to Goram Homes at a scale and pace that is required to meet the operational cost commitments set out in our Business Plan.

The specific arrangements for the transfer of land is set out on a site by site basis and dependent on the condition and planning status of the land/property. Initially, any new potential sites identified will be assessed by the Goram Homes team.

If the site is viable and deliverable it will be presented to the Board for early consideration (strategic fit, social and financial returns, risks, chances of success, etc) and to gain approval to actively pursue the site, within an agreed budget.

The land purchase price is then agreed with the Council at a fair market value reflecting the fact the site will be unencumbered. The affordable housing will be purchased at a market value by either a housing association or the Council, to be agreed on a project-by-project basis.

Procurement

Goram Homes has been established as a body with a commercial character, not meeting needs in the general interest. As we do not fall within the definition of a body governed by public law under the Public Contracts Regulation 2015 we do not have to adopt the procedures set out in the Public Procurement Regulations in respect of any transactions we undertake. This means we are able to enter into contracts for goods, services and supplies with the most appropriate contractors for each site or project, giving us a considerable commercial advantage over the Councils' procurement options.

The variety in size and complexity of the Goram Homes development programme means that not all projects will be delivered as a Joint Venture within a formal LLP contract. We will review how best to deliver smaller projects on a site by site basis and may group smaller sites together.

To maintain value for money within a less restricted procurement environment we have set out our procurement principles in our procurement policy.

We will:

- Ensure that Goram Homes obtains Value for Money whilst appointing contractors and consultants who can demonstrate the ability to deliver our demanding standards of quality and service
- Prevent corruption or the suspicion of it
- Ensure fairness and equality of treatment of all suppliers, avoidance of bias, favouritism and that fairness can be demonstrated through an audit trail; and
- Promote social value, including the local economy and environmental sustainability, to the extent that it is legally permitted
- Make best use of the Goram procurement status to enable the contracting work to deliver projects that include Extra Care housing or provision of a new energy centre alongside a Goram project.

Design and Quality standards

Goram Homes wants to deliver developments that provide a great place to live in for those who buy and rent the new homes on offer. As well as placemaking of the highest order we want to achieve schemes that are robust and look fantastic for many years to come. This will be achieved through a combination of good design and the use of low maintenance details and materials.

We aim to achieve compliance with council policy wherever practicable. It is hard wired in our company to achieve appropriate levels of affordable housing and respond positively to the climate and biodiversity emergencies.

The Board of Goram Homes has agreed that it will not set generic design and quality standards which apply to all of its projects. They recognise that each of its projects will be unique and sit within differing local communities and, therefore, a 'one size fits all' approach would not be appropriate. We will assess every project individually to ensure the design is aligned to our values and ethos.

We will however be mindful of important standards such as **Nationally Described Space Standards (NDSS)**. Goram Homes will always deliver tenure blind housing where both the affordable and market element provides new homes with a generous living space, suitable private amenity space and good quality design. Wheelchair units will, as a minimum, comply with **Part M of the Building Regulations** and all projects will achieve **Secure by Design**.

We are open to considering modern methods of construction (MMC) on our schemes. This will range from simple panelised systems through to volumetric pre-assembled structures. Any solution would be assessed on its suitability to the proposed site. As a result, every project will be individually appraised by the team prior to board approval, at mid-development point and at the end of the development using the quality criteria in our policies.



Development Programme

Goram Home's development programme is our main activity. We have a strong working relationship with Bristol City Council's Housing Delivery team and together we have established a process to release land for sale to Goram Homes as quickly as possible. There is currently a positive land supply available.

The pipeline of sites for delivery by Goram Homes has been indicatively split into Phase 2 and Phase 3. This represents the current status of these projects and the likely timeline to delivery. This indicative phasing should not be a barrier to delivery, and it is agreed that jointly Goram Homes and the Council can move projects between these phases.

Scheme	Potential Units	No of AH Units	% as AH	Start on site	Handover years
Complete	0				
Contracted	268	147			
Romney House, Lockleaze	268	147	55%	2021	2022 - 2024
Committed	166	66			
Baltic Wharf	166	66	40%	2022	2024 - 2026
Pipeline*	1,332	475			
Phase 2					
Novers Hill, Ph 1 Knowle West	50	15	30%	2022	2023
Dovercourt Road, Lockleaze	120	60	50%	2022	2023 - 2024
Part of Knowle West Health Park	50	15	30%	2023	2024
Castle Park, Harbourside	50	20	40%	2023	2024 - 2025
New Fosseway, Hengrove	170	51	30%	2023	2024 - 2025
St Ursula's, Henleaze	40	16	40%	2023	2025
Novers Hill, Ph 2 Knowle West	310	93	30%	2023	2024 - 2030
Phase 3					
Spring Street, Victoria Gardens	125	38	30%	2023	2024 - 2026
SS Gt Britain Car Park, Spike Island	115	46	40%	2023	2025 - 2026
Portwall Lane, Redcliffe	110	44	40%	2024	2026 - 2027
A Bond, Spike Island	96	38	40%	2025	2027 - 2028
B Bond, Spike Island	96	38	40%	2026	2028 - 2029
Total Programme	1,766	688	39%		

*pipeline projects are all pre-planning and liable to change. Timing and financial impact will be adjusted as schemes become firmer.

We have taken our programme and produced a graph to show how homes will start on site and complete, below, in figures 1 and 2.

Figure 1: Number of homes – start on site

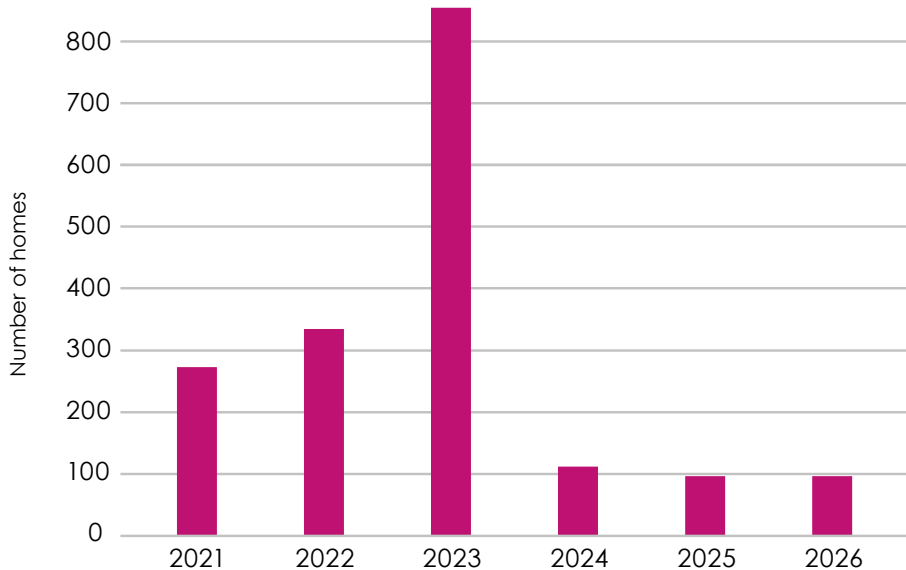
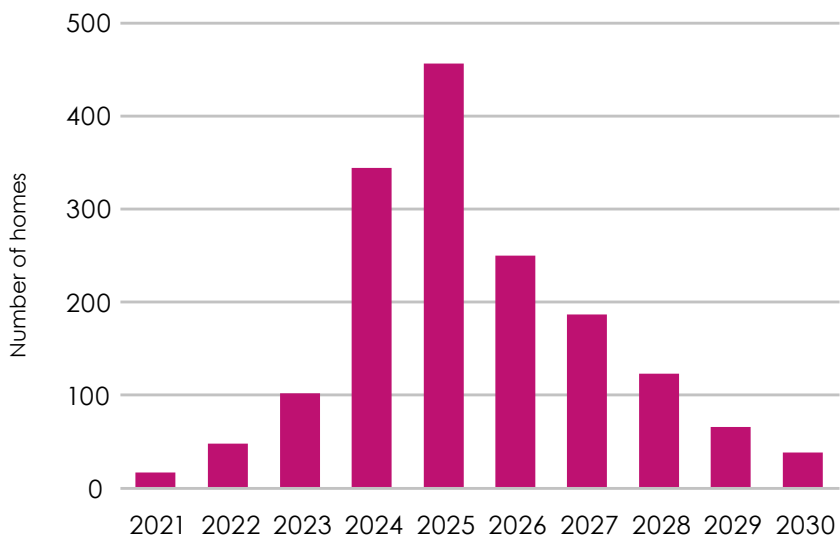


Figure 2: Estimated Completions by Year



Artistic impression of the new neighbourhood at Romney House – HTA Design

Financial Projections and Risk Management

This Business Plan establishes our capacity to deliver the projects set out in the development pipeline. Our projects will be, in the main, joint ventures with the value of the land forming a large proportion of the initial investment by Goram Homes.

The agreed pipeline of sites feeds into the company's financial planning process to make projections as to the levels of planned investments, expenditures and returns. Each element of the overall financial projection is summarised in the detail below.

Funding for this business plan is covered by an existing facility for the first two projects (Romney House and Baltic Wharf). Then a second £10m cash facility has been made available to fund Pipeline Phase 2. This facility will be used to cover all operating costs and project investment as required by the business plan.

Project approval

Given the evolving status of projects, they will be approved by the Council on a case-by-case basis at key trigger points. These trigger points will be when the partnership deal is structured, at land loan note issuance and any cash investment requests.

Once sites are agreed for development by Goram Homes and Bristol City Council, we will acquire them, from the Council, at a fair market rate, using the most suitable funding mechanism for the site.

Project funding

All borrowing will be site/project specific and subject to an individual loan agreement. Revenue for each scheme takes the form of sales receipts from private housing, affordable homes, and any commercial property. In general, the profit margin hurdle for developments is approximately 15% profit on Gross Development Value for the scheme.

Some schemes such as a flatted scheme will require considerable investment before sales revenue is received, often resulting in the partnership requiring funding in excess of the initial partner contributions. Where this occurs it is assumed to be provided through third party funding, though the LLP partners have an option to invest if there are advantages to do so.

Third party funders operate lending parameters which may in exceptional circumstances require the partners to top up their investment to facilitate the raising of third party financing. This event, should it arise, would form part of the project appraisal presented to the Council for approval and would be funded from within the existing £10m facility for the Pipeline Phase 2.

Performance management

Goram Homes develops sites which have been selected by Bristol City Council for development as new housing. We work closely with the Housing Delivery team to understand the constraints of each project before they are allocated to Goram Homes. The timeline for this transfer is set out in our Business Plan and is key to delivering profits to support the overhead cost of operating Goram Homes.

Goram Homes leads the selection of the partners to deliver the sites, ensuring that we meet the objectives set by the Council to deliver a commercial return, additional homes, and great places to live. We work hand in hand with the Council to develop the design and then the partnership submits a planning application on each of the sites. The Council then scrutinise the proposal and determine if planning permission will be granted.

Projects are often delivered via Limited Liability Partnerships (LLP) in which Goram Homes has a 50% shareholding. Two directors are appointed to the LLP by Goram Homes and two from our partner. The Board of the LLP then oversees the operational & financial activity of the development. The performance of all of the LLP's are reported to Goram Homes where its Board oversees performance against the business plan estimations and the detailed financial appraisals which are embodied into the Partnership Member Agreements.

Performance of each joint venture will be overseen at a programme level by the Board of Goram Homes, actions being taken to mitigate any joint ventures that are underperforming. Reporting of performance is then provided to the Council's strategic client and Bristol Holding, who in turn advise the shareholder.

Operating risk environment

Housing market price movements are one of the most common risk factors to impact on organisations such as Goram Homes. The resulting risks of a Housing Market price movement are contained within the Business Plan risk assessment.

The traditionally cyclical housing market see's prices increasing and declining over a period of years, these changes are often linked to economic shocks or improvements in the wider economy. Goram Homes's organisational structure has sought to contain risks events, such as house price movement or project level cost increase.

Each project is often established as a separate LLP. This LLP does not call on guarantees from the parent and is therefore separate and independent in its operation, cost and revenue risks are contained at the LLP level when they occur. Land, the largest investment made by the Council, into Goram Homes, is protected via the legal structures used. The legal structures allow this asset to be retained by the Council in the event of an LLP collapsing.

The financing of developments will regularly use third part funding. This is money invested by a financial institution, such as a bank will be secured on the land asset during the development period. The money is lent to the LLP, not the Council and no guarantees are given against these loans by the Council.

Health & Safety risks will not always be contained within these LLP's and could escalate to the Council. Therefore, Goram Homes operates a zero-tolerance stance on poor H&S practice and this is reflected in our performance management targets and partner selection.

Risk management

Effective risk management is critical to the success of Goram Homes, so we have put in place a robust risk management and audit system across the business. We operate a risk register which identifies key risks, giving each risk an inherent score without mitigating controls. Mitigations are then applied to this risk score giving the current risk score. To provide enhanced assurance these mitigations are covered in the assurance section of the risk register.

The management team review the risk register and the top risks are reviewed by the Goram Homes Board at our regular meetings. Risk materialisation is reported to the Board

when it occurs on an “as required” basis so we can appropriately manage risks should they occur outside of the Board cycle.

The assessment of Risk in the Goram Homes Business Plan was assessed by the Goram Homes Board in February 2021. The assessment of risk has materially reduced from previous versions of the Business Plan due to adjustments being made to the development profile and the confirmation of a pipeline of schemes.

For our assessment of key Business Plan risks see [Appendix B](#)



Artistic impression of the new neighbourhood at Romney House – HTA Design

Building the Financial Plan

The forward Financial Plan of Goram Homes has been based on the programme activity outlined in our development programme. Each project in this programme has either a latest 'Financial Model' (if an agreed partnership) or an estimated Development Cash Flow (if a pipeline site or pre-partnership formation).

Our Financial Plan demonstrates the anticipated outturn of our activities through to 2026. [Appendix D](#) shows the flows of funding between the Council and Goram Homes for the period of the plan.

All sites have been prepared as cash flows reflecting the anticipated Partnership arrangements of a 50% share of both capital (value in the lease being the majority of

the contribution made by Goram Homes) and profits. Where significant additional cash investment is required, this has been assumed to be through third party provision.

A set of additional headline assumptions have been made that:

- a) The land cost is inclusive of 'capital and interest', until negotiated specifically
- b) The lease sales value to the partnerships is inclusive of 'capital and interest', until negotiated specifically
- c) Goram Homes is able to recover VAT on its purchases that incur VAT
- d) All cash generated from profits will be retained within Goram Homes pending decisions by the Council as to its use

Land purchase funding

The Land transaction is facilitated by the provision of a loan note to Goram Homes from Bristol City Council. After the land sale the Council no longer holds the land asset but holds a debtor asset being the loan note with Goram Homes.

The table below shows a forecast of the outstanding value of land purchase loan notes through the period of the Business Plan. The peak land loan note balance

owing to Bristol City Council is forecast to be £24m, should all of the developments proceed as programmed in this plan.

The total estimated value of land purchased by Goram Homes from Bristol City Council, and hence Loan Notes taken over the period of the Business Plan is forecast to total £43m. Over the same period, we are forecasting to repay £27m of the Loan Notes taken.

£'000	2020	2021	2022	2023	2024	2025	2026
Land Loan Notes added in year	-	(13,011)	-	(23,113)	-	(4,805)	(2,355)
Land Loan Note repayments in year	-	2,820	5,328	4,365	1,289	4,490	8,892
Net Land Loan Note balance	-	(10,191)	(4,863)	(23,611)	(22,322)	(22,637)	(16,100)

Profit & Loss

The trading performance of Goram Homes is assessed by considering our annual running costs and our share of profit earned by the LLPs each year, interest receivable and payable on various loan note instruments and working capital financing from the Council.

We have forecast the profit earned by each development and recognised profit at point of sale of the properties.

The majority of our trading activity is conducted within the joint venture Limited

Liability Partnerships rather than by Goram Homes directly.

As shown below losses are incurred in the first three years with profits being generated from 2023 onwards.

Whilst the Business Plan reporting period is to 2026, several of the developments entered into during the period of the plan will be delivering homes and financial returns beyond this timeframe.

Profit & Loss Account £'000	2020	2021	2022	2023	2024	2025	2026
LLP Participation							
Share of LLPs Profit / (loss) before Tax	-	(122)	(137)	1,808	5,798	10,244	7,783
Land Asset management							
Purchase of land	-	(13,011)	-	(23,113)	-	(4,805)	(2,355)
Sale of Build Leases	-	13,011	-	23,113	-	4,805	2,355
Sale of freehold	-	-	-	-	-	-	-
Contract Business							
Revenues - Energy Centre	-	-	4,600	-	-	-	-
Costs - Energy Centre	-	-	(4,600)	-	-	-	-
Operating Costs (£'000)	(794)	(906)	(998)	(1,005)	(1,023)	(1,041)	(1,059)
Profit before Interest & Tax (EBIT)	(794)	(1,028)	(1,135)	803	4,775	9,203	6,724
LLP Loan Account interest receipts (signed LLPs)	-	-	441	207	-	-	-
BCC Land Loan interest payments (signed LLPs)	-	-	(441)	(207)	-	-	-
WCF Interest charges	(26)	(108)	(192)	(264)	(192)	(252)	(312)
Profit before Tax	(820)	(1,136)	(1,327)	539	4,583	8,951	6,412
Corporation Tax		-	-	-	(349)	(1,701)	(1,218)
Profit After Tax	(820)	(1,136)	(1,327)	539	4,234	7,250	5,194
Cumulative Profit & Loss Reserves	(820)	(1,956)	(3,283)	(2,743)	1,491	8,741	13,935

Operating Costs

Operating costs have been contained to approximately £1m p.a. for the Business Plan period. These costs incorporate all the costs of delivering Partnership formation for each development site in our programme. The costs shown in 2020, 2021 were incurred to set up and deliver two development projects (Romney House and Baltic Wharf). The estimated operating

costs from 2022 forward cover the agreed pipeline of a further 12 development projects, along with ongoing management of our interest in the increasing number of partnerships during their delivery phase.

Operating costs and potential management charges to the LLP's will be reviewed each year as the pipeline details become known.

Operating Costs	2020	2021	2022	2023	2024	2025	2026
People costs	453	471	561	572	584	596	608
Recruitment fees	64	10	15	5	5	5	5
Meals, Travel & Accommodation	3	10	10	10	11	11	11
IT Support	20	20	20	21	21	22	22
Office Expenses	15	17	27	28	28	29	29
Professional Services	155	168	172	175	179	182	185
PR & Advertising	2	40	20	20	21	21	22
Bristol Holding Ltd Management Fees	80	105	105	105	105	105	105
Contingency/Misc.	2	65	66	68	69	71	72
Operating costs (£'000)	794	906	998	1,005	1,023	1,041	1,059

Cash Flow

The Business Plan shows a closing cash balance in 2026 of £17.9m. Any distribution of profits will be decided by Bristol City Council.

Cash Flow (£'000)	2020	2021	2022	2023	2024	2025	2026
Opening Cash Balance / (Overdraft)		50	118	142	140	3,538	13,075
Inflow	844	1,000	6,441	1,407	6,889	11,124	7,802
Working Capital funding received	799	1,000	1,400	1,200	1,000	1,000	1,000
Decrease in non-cash current assets	45	-	-	-	-	-	-
Interest received on Loan Notes (signed LLPs)	-	-	441	207	-	-	-
LLP distribution	-	-	-	-	5,889	10,124	6,802
Contracting business	-	-	4,600	-	-	-	-
Outflows	(794)	(932)	(6,417)	(1,409)	(3,491)	(1,587)	(3,018)
Operating costs of Goram (EBIT)	(794)	(906)	(998)	(1,005)	(1,023)	(1,041)	(1,059)
Interest paid on working capital funding	-	(26)	(108)	(192)	(264)	(192)	(252)
Interest paid on Loan Notes (signed LLPs)	-	-	(441)	(207)	-	-	-
Corporation Tax paid	-	-	-	-	-	(349)	(1,701)
Repay working capital funding	-	-	-	-	(2,199)	-	-
Increase in non-cash current assets	-	-	(270)	(5)	(6)	(6)	(6)
Contracting business	-	-	(4,600)	-	-	-	-
Dividend Distribution	-	-	-	-	-	-	-
Operating flows	50	68	24	(2)	3,397	9,537	4,784
Lease Receipts	-	2,820	5,328	4,365	1,289	4,490	8,892
BCC land loan repayments	-	(2,820)	(5,328)	(4,365)	(1,289)	(4,490)	(8,892)
Closing Cash Balance / (Overdraft)	50	118	142	140	3,538	13,075	17,859

Balance Sheet

The Balance sheet below shows Retained Reserves at the end of 2026 of £13.9m.

This Business Plan is subject to further refinement when a more detailed assessment of the development pipeline evolves, and projects move forward.

Balance Sheet (£'000)	2020	2021	2022	2023	2024	2025	2026
Fixed Assets	-	-	-	-	-	-	-
Current Assets	189	10,187	5,016	25,575	27,599	37,577	36,810
Debtors	139	-	-	-	-	-	-
Capitalised Pre LLP costs	-	-	270	275	281	287	292
LLP Leases	-	10,191	4,863	23,611	22,322	22,637	16,100
Share of LLP Retained Reserves	-	(122)	(259)	1,549	1,459	1,578	2,560
Bank & Cash	50	118	142	140	3,538	13,075	17,859
Liabilities	(1,009)	(12,143)	(8,299)	(28,319)	(26,108)	(28,835)	(22,875)
Corporation Tax	-	-	-	-	(349)	(1,701)	(1,218)
Creditors & Accruals	(184)	(45)	(45)	(45)	(45)	(45)	(45)
Working Capital Funding Obligation	(799)	(1,799)	(3,199)	(4,399)	(3,200)	(4,200)	(5,200)
Working Capital Funding interest	(26)	(108)	(192)	(264)	(192)	(252)	(312)
BCC Land Loan Notes	-	(10,191)	(4,863)	(23,611)	(22,322)	(22,637)	(16,100)
Net Assets	(820)	(1,956)	(3,283)	(2,743)	1,491	8,741	13,935
Retained Profits	(820)	(1,956)	(3,283)	(2,743)	1,491	8,741	13,935

Stress Testing

The financial plan has been modelled with cost and house price inflation excluded. The nature of Goram Homes' business model is that variations in unit cost or sales value will only have an equivalent impact on forecast results where we are in a partnership contract, satisfactory planning has been granted and the land value has been fixed.

Out of our plan of 14 developments through partnerships, only Romney House is likely to be in the contract status referred to above by the end of March 2021.

Our major sensitivity therefore is to a delay in achieving 'start on site' dates assumed in the plan for the pipeline. Baltic Wharf development already incorporates a cautious view of timing into the plan.

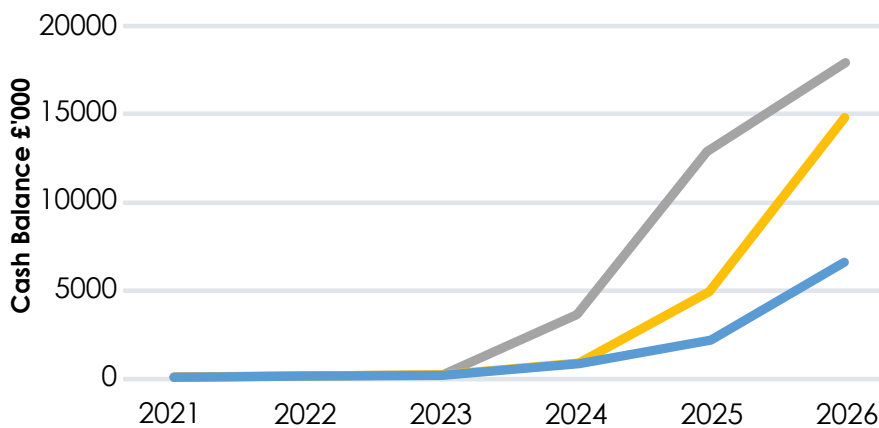
When we stress test the financial plan for one and two year delays we are assuming an event occurs, but all the pipeline continues as currently profiled and no changes are

made to project assumptions. As with all stress testing, interventions would be made before any of the scenarios were realised in full.

The business model of Goram Homes is very resilient to change and stresses. During the first few years the only significant exposure is delay or non-delivery of developments, meaning the overheads at £1m pa being carried at risk. It should be noted that costs are only placed at risk when detailed agreement has been reached with the Council on each development site being a suitable location. If there is a conscious decision to delay commencement of our development activity, then some of the professional costs within the £1m pa would also be deferred.

The increased pipeline creates opportunity to mitigate risks of delay. The Romney House project alone provides us a significant amount of resilience as we are forecasting by 2025 to receive £4m. This compares to forecast spend of £4.7m.

Cash Balance - impact of delaying entire pipeline



	2021	2022	2023	2024	2025	2026
On time	118	142	140	3,538	13,075	17,859
1 year delay	118	142	140	768	4,970	14,744
2 year delay	118	142	140	768	2,198	6,639

Appendix A

Strategic Business Plan level KPI's

KPI Code	KPI Group	Criteria	Units	Quarterly					Cumulative					
				Previous Year	Target	Actual	ACT/PY %	Act/Trgt %	Previous Year	Target	Actual	ACT/PY %	Act/Trgt %	
People														
1	People	Turn over	%		<20						<20			
2	People	Days of Absence	units		5						25			
Projects														
3	Projects	BCC site release on time	%		90						90			
4	Projects	Projects in contract on time	%		90						90			
5	Projects	H&S – Number of RIDDOR incidents	units		0						0			
Finance														
6	Finance	Project Profits to Business plan	%		90%						90%			
7	Finance	Goram Homes results to BP variance	%		10%						10%			
Environmental														
8	Environmental	Carbon Reduced (Goram Homes)	units		1000g						1000g			
Social Value														
9	Social Value	Local contracts awarded	%		75%						75%			

Appendix B

Assessment of Key Risks

Risk No.	Risk	Current Assessment		Target Scores		Comment
2	Failure to deliver growth / profit targets in line with Business Plan assumptions	Prob.	3	Prob.	3	Market failures (e.g. house prices drop, construction costs increase, market sales rate drops) Production rates reduce, delays in planning permission, interest rates rise, insufficient land available.
		Impact	4	Impact	4	
		Total	12	Total	12	
4	Failure of board to give capable leadership, control, and strategic direction and/or inappropriate governance arrangements and structures	Prob.	3	Prob.	2	Lack of sufficient skills, knowledge and experience on Board or SLT. Poor leadership or confused governance arrangements.
		Impact	4	Impact	4	
		Total	12	Total	8	
38	Loss of demand for property sales	Prob.	3	Prob.	2	Reduced access to (affordable) mortgage finance. Wider societal and cultural change to the way people want to live. Lack of suitable of properties developed for market demand.
		Impact	4	Impact	4	
		Total	12	Total	8	
40	Inability to establish sufficient development opportunities	Prob.	2	Prob.	2	Uncertainty around housing policy. Sites need to be transferred to Goram Homes from the Council to match the business plan profile. Delays will impact on Goram Homes financial performance. Restrictions on opportunities to comply with development strategy e.g. mix of tenure.
		Impact	5	Impact	5	
		Total	10	Total	10	
43	Negative impact of spread of coronavirus (COVID-19) on delivery of Business Plan and viability	Prob.	2	Prob.	2	Uncontrollable spread of COVID-19 virus without vaccine, reducing staffing resource and impacting the housing market.
		Impact	5	Impact	5	
		Total	10	Total	10	
25	Failure of projects / Joint Ventures or programme of corporate projects to deliver expected benefits within planned costs and timescales	Prob.	4	Prob.	2	Projects poorly initiated or implemented. Benefits of anticipated outcomes will not be realised either in part or full.
		Impact	2	Impact	2	
		Total	8	Total	4	
44	Failure to maintain a strong and positive relationship with key stakeholders, including local government and MPs	Prob.	2	Prob.	2	Negative PR impacts are greater than if the risk was properly managed, lack of support for development schemes and new initiatives, lack of support on the outcome of complaints
		Impact	3	Impact	3	
		Total	6	Total	6	

Appendix C

Goram Innovation Action Plan

All the themes are connected to the ambition that our homes will be an enabler for improving the health and wellbeing of the residents of Bristol. Underpinning all of the below is the recognition that its necessary to find new ways of doing community consultation and engagement that is open, transparent and inclusive.

Connected Homes

According to the **BRE**, poor quality housing costs the NHS £1.4bn per year due to building related hazards.

What we will do:

1. Build a data framework to support the Internet of Things. Working with **HACT** and/or other partners to develop and contribute to the UK Housing Data Standards to ensure that the right data measures and data collection is considered and captured – to support the health and independence of residents and ongoing maintenance and performance of homes.
2. To ensure that fibre connectivity (building in fibre ducting as standard) is built in and ready to enable the Internet of Things (not least supporting better independent living)
3. To align projects with research and evaluation projects partnering with Bristol University and UWE around improved health and wellbeing and energy efficiency (built around better understanding of user experience – data and connectivity).

Low Carbon Houses

In June 2019, the UK became the first major economy in the world to pass laws to end its contribution to global warming by 2050.

The target will require the UK to bring all greenhouse gas emissions to net zero by 2050, compared with the previous target of at least 80% reduction from 1990 levels.

What we will do:

1. Developing a JV partner selection methodology around low carbon/ zero carbon housing (**Bristol City Council commitment to be carbon neutral city by 2030**) so that all future projects are future proofed and low carbon is not considered a 'nice to have' but a core delivery commitment.
2. To explore lifetime costs (not just capex) as a validation for investment in homes and to consider how **BCC's Social Value Policy** – whilst not directly relevant – can suggest a methodology to consider and value wider scheme benefits.

Assisted Living

Disabled people were less likely to own their own home than non-disabled people, with 42.4% of disabled people owning their own home compared with **53.2% of non-disabled people**. However, a substantial segment of homeowners and a customer group who's needs are not ready met by standard homes built in the UK.

What we will do:

1. Good design and well-proportioned homes work well for both assisted living and family life. By way of example, wider doors for wheelchairs also serve young families with buggies. Goram Homes will consult **Bristol Disability Equality Forum** on all its schemes to consider what proportion for accessible housing but also to explore how good design improves the accessibility of all housing and the community and

to engage with **Better Lives at Home**. This to complement the Connected Homes - digital to support independent living.

2. To explore developing inter-generational homes on our schemes to address assisted living in the context of that wider community and address the loneliness epidemic.
www.gov.uk/government/news/pm-launches-governments-first-loneliness-strategy

Modern Construction Methods

Based purely on existing workforce age and current levels of new entrant attraction, we could see a **20-25% decline** in the available labour force within a decade.

What we will do:

1. To support the regional/strategic opportunity to enable the WECA region, and the South West in general, to become the UK's leading region in the technology and deployment of zero carbon, quality and affordable homes delivered at pace. The hypothesis to this is that MMC is part of the solution to create a new supply chain for affordable housing. Housing as part of a Local Industrial Strategy.
2. To commit an identified site to develop its first cat 1 (volumetric/3D) or cat 2 (penalised/2D) MMC housing partnership (part or full site).
3. To explore a possible partnership with Bristol Housing Festival and YTKO as the third commercial partner for '**Constructing Modern Methods**' – a digital optioneering tool that is being developed as part of an Innovate UK project.

Innovative Financing

More than 8million people in England – around 1 in 7 – are living in an unaffordable, insecure, or unsuitable home. According to National Housing Federation research there are 3.6m people living in overcrowded homes, 2.5m people can't afford their rent or mortgage and 2.5m adults are living with parents, with an ex-partner, or with friends because they can't afford to move out.

What we will do:

1. In partnership with others to explore new tenure models that address the land cost issue as the key affordability challenge (to partner with organisations such as Future Cities Catapult who are developing those models but need to test them in the real world).
2. To explore new funding opportunities to create more affordability and generate more capital investment where the asset is retained by a third party at low rates for 40 years and then reverts for social housing or other needs (see pension funding and other social impact funds/ green funds/pension funds who are looking for long term investment often aligned to MMC due to its manufacturing process and several funds now in partnership with specific MMC suppliers).

Appendix D

Funding forecast between Goram Homes & the Council

Overall Funding relationship with BCC	2020	2021	2022	2023	2024	2025	2026
Cash Flows							
Loan Note repayments to BCC	-	2,820	5,328	4,365	1,289	4,490	8,892
Working Capital Funding (WCF) from BCC	(799)	(1,000)	(1,400)	(1,200)	(1,000)	(1,000)	(1,000)
WCF repayment to BCC	-	-	-	-	2,199		-
Interest paid to BCC on Land Loan Notes (signed LLPs)	-	-	441	207	-	-	-
Interest paid to BCC on WCF Loan	-	26	108	192	264	192	252
Net cash paid to / (borrowed from) BCC	(799)	1,846	4,477	3,564	2,752	3,682	8,144
Cumulative net cash payments to BCC	(799)	1,047	5,524	9,088	11,840	15,521	23,666
Net funding							
Net Land Loan Note balance (BCC)	-	(10,191)	(4,863)	(23,611)	(22,322)	(22,637)	(16,100)
WCF balance (BCC)	(799)	(1,799)	(3,199)	(4,399)	(3,200)	(4,200)	(5,200)
Retained cash	50	118	142	140	3,538	13,075	17,859
Total	(749)	(11,872)	(7,920)	(27,870)	(21,984)	(13,762)	(3,441)

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