



# Treveth Group

Business Plan

2019-2020



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**COUNCIL**  
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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

 **74,000m<sup>2</sup>**  
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, 74,000m<sup>2</sup> 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.

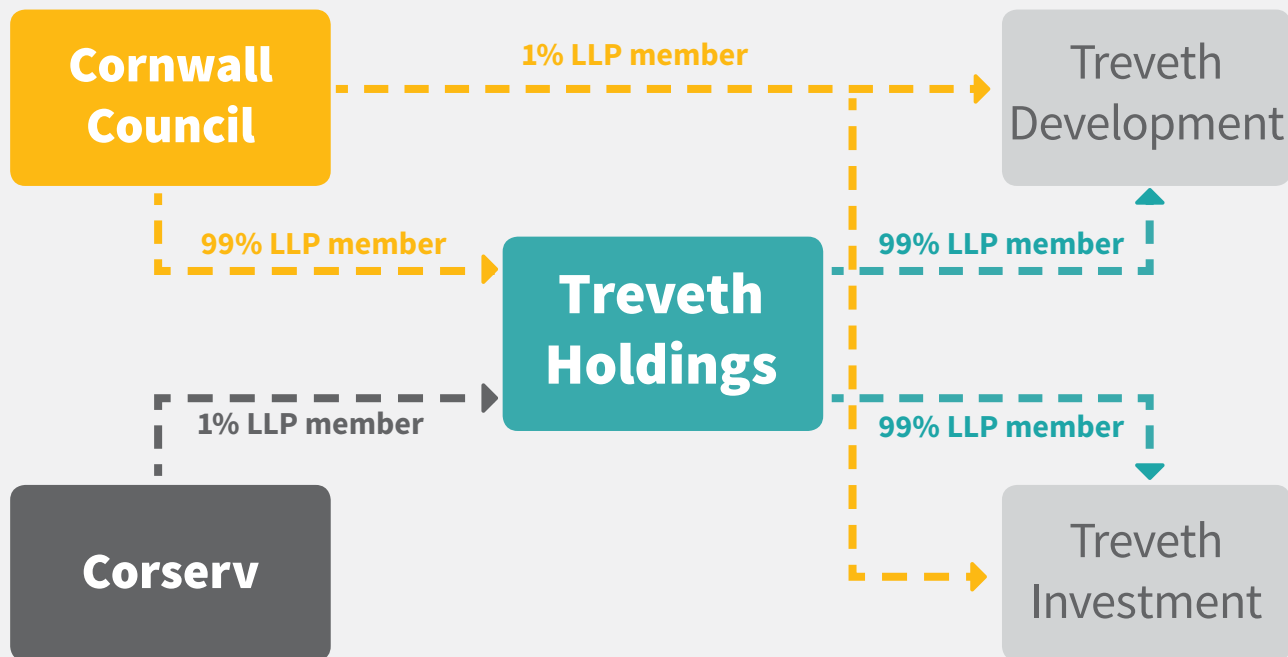
## Structure

- ⦿ **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:

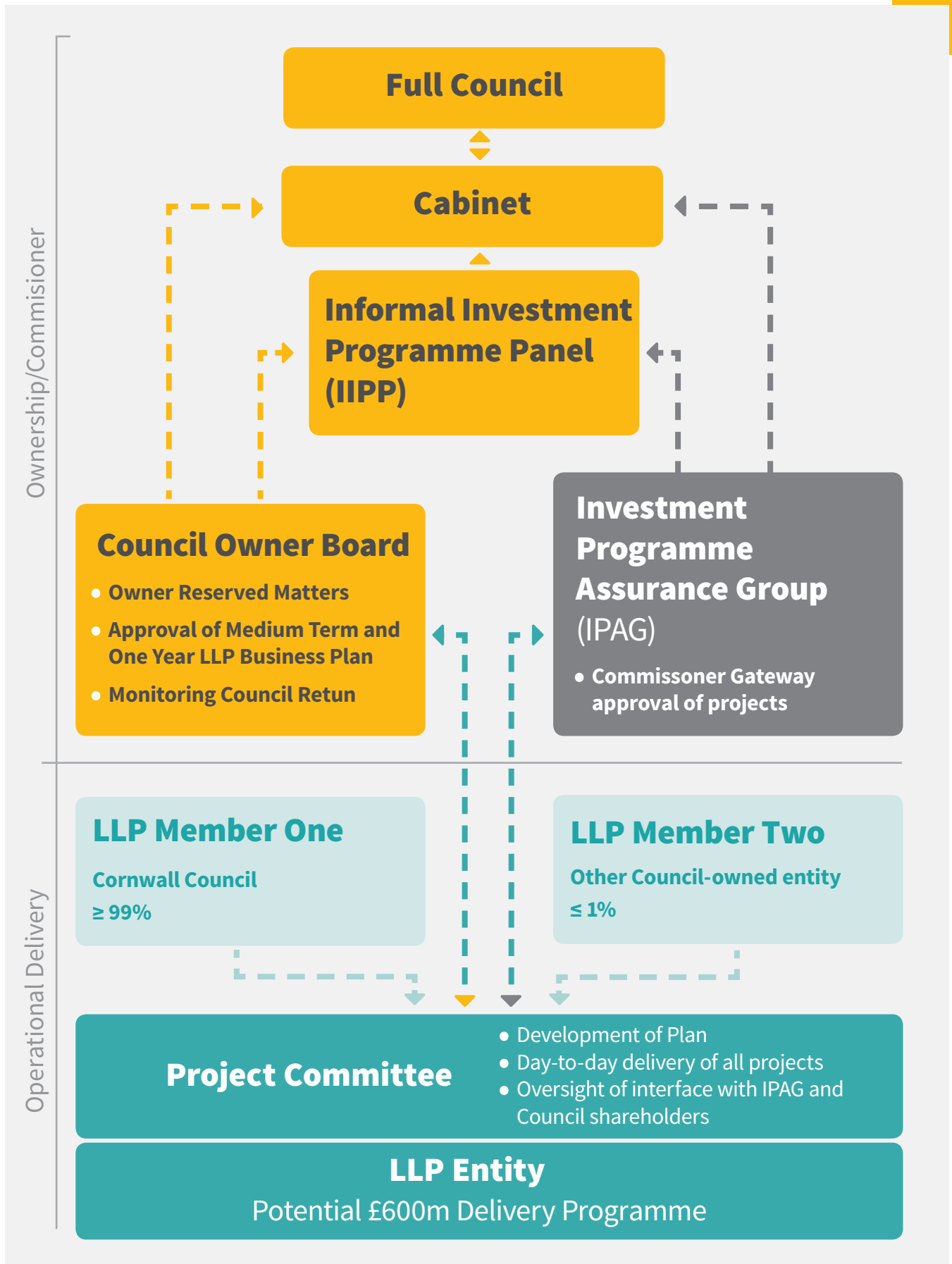
- It will **exert control over Treveth Holdings** as both **the owner** and **the client/commissioner**.
- It will have **enhanced voting rights** and **powers** and **a right to a predominant share** of all of the profits generated by Treveth Holdings (99%).
- It will **influence the strategic direction 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.

### Stage 0 - Business Justification

Cabinet Approval for high risk or decisions over £2m

Gateways 0, 1 and 2

### Stage 1 - Business Case

Cabinet Approval for high risk or decisions over £2m

Gateway 3

### Stage 2 - Decision

### Stage 3 - Monitoring and delivery

Gateways 4, 5 and 6



## 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 |
|--|--|----------|----------|------------------|--------------------------|
| <b>Carlyon Workspace – land acquisition</b>                          | Investigating location to provide high quality, affordable workspace to support local industry and provide jobs.                               |          |          |                  |                          |
| <b>Pydar Regeneration</b>  | Mixed use redevelopment of a key strategic site in the centre of Truro, including demolition, site clearance and remediation.                  |          |          |                  | Nov 2019                 |
| <b>Treliever Creative Village, Penryn (Phase 1) Land acquisition</b> | Urban extension to Penryn to support economic growth including the universities. The site will also deliver student accommodation and housing. |          |          |                  |                          |
| <b>South Crofty</b>  | 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 |
|--|--|----------|-----------------------|---------|--------------------|--------------------------|
| <b>Tolvaddon (HDP)</b>                 | Pilot residential development for 38 HDP homes                                       | Mar 16   | 18/19                 | July 19 | 06 - Commissioning | Aug 16                   |
| <b>Bodmin Phase 1 (HDP)</b>            | Pilot residential development for 75 HDP homes                                       | Mar 16   | 18/19                 | Aug 19  | 06 - Commissioning | Aug 16                   |
| <b>Maudlin Farm, Liskeard (HDP)</b>    | Lead on commissioning, securing Planning Permission and the delivery of 46 HDP homes | Oct 17   | 19/20                 | Feb 21  | 05 - Delivery      | Aug 18                   |
| <b>Bodmin Phase 2 (HDP)</b>            | Securing planning permission and commissioning to directly deliver c.100 HDP homes   | Mar 16   | 20/21                 | Feb 22  | 04 - Procurement   | Nov 18                   |
| <b>Tolgus, Redruth (HDP)</b>           | Lead on securing planning permission and to directly deliver c.140 HDP homes         | Jan 18   | 21/22                 | Mar 25  | 02 - Feasibility   | Feb 20                   |
| <b>Trevithick Manor, Newquay (HDP)</b> | Securing planning permission and commissioning to deliver 150 HDP homes              | Mar 18   | 21/22                 | Dec 24  | 02 - Feasibility   | Feb 20                   |
| <b>Langarth, Truro (HDP)</b>           | Delivery of c.154 HDP homes on strategic housing site in Cornwall                    |          | 23/24                 | May 25  | 02 - Design        | June 19                  |
| <b>Launceston</b>                      | 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 |
|--|---|--------|----------|-----------------|--------------------------|
| <b>Agrifood Launceston</b>                     | Strategic A30 site for services, agribusiness hub and associated employment space   | Sep 19 | Mar 25   | 01 - Viability  | July 20                  |
| <b>Hayle Marine Renewables Business Park</b>   | Develop space on the current Renewable Business Park of 700m2 in tow industrial units/ warehouses.  | Sep 19 | Sept 21  | 01 - Viability  | July 19                  |
| <b>Aerohub Phase 2</b>                         | Developing the plot and leasing to the business. Grow on space from Plot 2.   | May 19 | May 21   | 01 - Viability  | Feb 19                   |
| <b>Carludon Tech Park</b>                      | Developing the plot and leasing to businesses. Grow on space from Plot 2.   | Mar 20 | Mar 20   | 01 - Viability  | Dec 19                   |
| <b>Agrifood Business Park Bodmin</b>           | 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                   |
| <b>Liskeard Cattle Market employment space</b> | 800m2 developed on former cattle market space.  | Mar 20 | Mar 22   | 01 - Viability  | Dec 19                   |
| <b>Falmouth Offices</b>                        | 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.



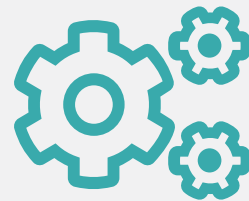
The Commercial  
Division

**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.

**If you would like this information in another format or language please contact:**

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