

Report to:	<b>Cabinet</b>	
Date:	<b>14 December 2022</b>	
Title:	<b>Langarth Garden Village (LGV) Delivery Strategy and Delivery Model</b>	
Portfolio Area:	<b>Resources</b>	
Divisions Affected:	<b>Threemilestone &amp; Chacewater Gloweth, Malabar &amp; Shortlanesend</b>	
Local Member(s) briefed:	<b>Y</b>	
<b>Relevant Scrutiny Committee: Customer &amp; Support Services Overview and Economic Growth &amp; Development</b>		
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Approval and clearance obtained:	<b>Y</b>	
Date next steps can be taken – progress work if cabinet approval received	<b>24 December 2022</b>	
<b>For Cabinet and delegated executive decisions only</b>		
Key decision? (≥£500k in value or significant effect on communities in two or more electoral divisions)	<b>Y</b>	
Published in advance on Cabinet Work Programme?	<b>Y</b>	
Urgency Procedure(s) used if 'N' to Work Programme?	<b>N</b>	

**Exempt: Appendices 3, 4 and 5 are not for publication by virtue of category 3**

(Information relating to the financial or business affairs of any particular person)

**Appendices 3 and 4 are also not for publication by virtue of category 5** (information in respect of which any claim to legal professional privilege could be maintained in legal proceedings)

**Reason for exemption:** Information relating to the financial or business affairs of any particular person (including the authority holding that information) – financial and business information associated with the setting up of a new company to be the

Delivery Vehicle for LGV. The exempt information is included in confidential appendices. A separate Part 2 report is not provided.

**Recommendations:**

1. That the Delivery Strategy for Langarth Garden Village (LGV) at Appendix 1 to the report, supported by exempt Appendix 5 (current Viability Appraisal) be endorsed.
2. That a Special Purpose Vehicle (SPV) be set up to support the Delivery Strategy set out in Appendix 1 to the report.
3. That the purpose of the Council in setting up the SPV to be:
  - a) to act as master developer for Langarth Garden Village and oversee, guide and manage delivery of the Outline Planning Consent,
  - b) to assist and promote the delivery of the vision and design principles as detailed in the planning consent including monitoring benefits and Key Performance Indicators,
  - c) to support the sustainable growth and housing priorities of job creation, growth, and improved housing in line with the current Cornwall Council mission to start well, live well and age well, working towards a carbon neutral Cornwall, and
  - d) to create a viable vehicle in line with the above principles which is intended to generate a return to the Council to repay the borrowing taken out to finance LGV.
4. That it be agreed that the SPV will be set up as a Teckal-compliant Limited Liability Partnership (LLP), in line with advice in exempt Appendices 3 and 4 (Legal and Tax Advice).
5. That the LLP be established between Cornwall Council and Treveth Holdings LLP as partners, with Cornwall Council having primary control (through a range of mechanisms as described in this report and supporting Appendices) and the rights to the majority share of profits (proposed to be 98% or more).
6. That authority be delegated to the Strategic Director for Sustainable Growth and Development in consultation with the Section 151 Officer, the Portfolio Holder for Housing and Planning, the Portfolio Holder for Economy, the Portfolio Holder for Resources and the Monitoring Officer to
  - a. prepare, approve and sign the necessary documents to underpin the financing, legal and governance arrangements to achieve the setup of the LLP
  - b. act as the strategic partner on behalf of the Council in engaging with the LLP
  - c. complete land transfers in pursuance of the agreed strategic objectives of the Council for the LGV programme.

## 1 Executive Summary

- 1.1 Langarth Garden Village (LGV) was awarded Outline Planning Consent on 5 April 2022 under reference PA20/09631. The consent is a hybrid permission, with conditions. This report is concerned with the delivery strategy and the setting up a Special Purpose Vehicle (SPV) for overseeing delivery of the outline element of the permission – including up to 3,800 dwellings, leisure, health, educational, commercial and business uses and strategic green and blue infrastructure.
- 1.2 As the scheme enters into the delivery phase it is appropriate for that delivery to be channelled through our development and delivery partner, Treveth. In order for the Council to transfer the ownership of the delivery to Treveth, there are a number of transactions that Cabinet are asked to approve including the setting up of Langarth LLP as a SPV which is considered the most appropriate delivery vehicle.
- 1.3 There are a number of important reasons why a SPV is required, including ring fencing against third party risk; greater autonomy to respond to opportunities quickly; greater freedom and flexibility to contract and trade and protection from right to buy where housing is being developed.
- 1.4 It is recommended that a Langarth Garden Village ('LGV') Holding Limited Liability Partnership ('LLP') should be set up as the Special Purpose Vehicle ('SPV') to oversee, guide and manage delivery in the role of master developer. This recommendation has been made on the basis of the previous successful use of this option for setting up Treveth Holdings LLP, accompanied by a legal review of the current situation to ensure this approach is suitable for an LGV SPV.
- 1.5 The financial model assumes that the landowner (Cornwall Council), working with the LLP who will be acting as Master Developer, will invest in the delivery of the infrastructure and enabling works. The key method of creating income and ensuring delivery flows from this through the sale of serviced parcels of land to developers.
- 1.6 LGV will be delivered in line with the Delivery Strategy included in Appendix 1. It consists of housing and infrastructure delivery, with the LLP acting in an overseeing, coordinating and enabling function to realise the vision in line with the design principles and parameters associated with the hybrid planning consent PA20/09631.
- 1.7 The SPV will further oversee long-term stewardship implementation, likely through setup of a subsidiary. The Stewardship proposal is outlined in the

Delivery Strategy in Section 8. It is being developed further over the next few months, informed by the overarching delivery strategy, with a view to present an Outline Business Case for Long-term Stewardship to Cornwall Council's Cabinet in early 2023.

- 1.8 Monitoring of benefits and associated Key Performance Indicators will be undertaken by the LLP, allowing a feedback mechanism to adapt the scheme as required to maximise benefits within the financial and commercial constraints set by the delivery strategy.
- 1.9 Council side governance of the LLP is proposed to be in accordance with the current constitutional arrangements for Cornwall Council owned entities as set out in Article 20 Governance Arrangements of Council Owned Entities and the supporting Protocol for Governance Arrangements of Council Owned Entities. The LLP will prepare one- and four-year business plans, which will be approved by Cabinet.

## **2 Purpose of Report and key information**

- 2.1 The Council's commitment to the overall delivery and the provision of infrastructure at Langarth Garden Village is evidenced by its decision (in January 2019) to intervene with a package of investment totalling circa £165m, comprising £117.5m of its own reserves and borrowed funds and, £47.5m of grant from Government. The Council funding is based on a model that the funding will be repaid from the capital receipts generated from the eventual disposal of the land not required by the Council for public infrastructure.
- 2.2 Langarth Garden Village (LGV) was granted Hybrid Planning Consent PA20/09631 on 05 April 2022, thereby achieving a significant milestone in the journey to delivery of a high-quality sustainable development, addressing a delivery gap that had been created by multiple competing and conflicting planning consents granted between 2010 and 2016. Within the boundary of the LGV consent, multiple landownership conditions added to the complexity, to resolve this a Compulsory Purchase Order (CPO) process was agreed in the 15 June 2022 Cabinet Meeting (see Previous Decisions summary in Section 4). The CPO has now been submitted to the Inspectorate for consideration, a decision is expected in summer 2023.
- 2.3 With the hybrid planning consent (first pillar) now in place and the Compulsory Purchase Order (CPO) process under way (second pillar), the Council now seeks to implement the third pillar essential for successful delivery – agreeing the Delivery Strategy including the form and purpose of the Delivery Vehicle. By doing so, the Council continues its proactive and

competent involvement in the scheme, to bring it to fruition harnessing the envisaged benefits as outlined in Section 3.

- 2.4 This report summarises the Langarth Garden Village (LGV) Delivery Strategy and associated proposal for setting up a Special Purpose Vehicle (SPV) (Appendix 1 and 6) in the form of a Teckal-compliant LLP (Exempt Appendix 3 – Legal and Tax Advice) to be known as Langarth LLP. The LLP would oversee, guide and manage delivery of the outline consent elements of Langarth Garden Village (LGV), in the role of master developer. The Northern Access Road (NAR) full permission part of the hybrid consent will continue being implemented through Cornwall Council using Homes England Forward Funding, and delivery of the NAR has started on site.
- 2.5 Regarding public infrastructure, the LLP will be expected to fully coordinate and cooperate with the NAR team, as well as other teams delivering Council or third party led public infrastructure.
- 2.6 Cornwall Council owns much of the land required to deliver LGV, but third-party parcels will remain (after CPO) within the approved outline permission boundary, refer to Delivery Strategy in Appendix 1 for details. The LLP would be responsible for development covered by the outline elements of the consent on land owned by Cornwall Council but would coordinate and work with third parties with interests in land within the planning consent boundary to bring the scheme to fruition in accordance with the vision and design principles.
- 2.7 LGV is a key strategic development for delivery of Cornwall Council’s Local Plan targets for housing delivery. Not only will it contribute significantly to delivery of homes in Cornwall but do this in a high quality and sustainable way. LGV’s masterplan is underpinned by a vision and design principles that contribute to all four priority outcomes in the current Cornwall Council Business Plan and support its mission.
- 2.8 Any delivery activities will be guided by the information approved as part of the planning consent PA20/09631, to create a mixed-use, landscape-led community. Key planning documents setting out the approved parameters, design requirements and vision are:
- Parameter Plans and supporting documents
  - Design Code and associated documents
  - Environmental Statement and associated information
- 2.9 The LLP acting as master developer would be expected to oversee implementation of the scheme in compliance with the documents approved as part of the consent, thereby acting as a guardian of the vision and design principles. The approved planning stage parameters therefore define the

scope and quality for delivery and present the baseline from which an LLP will operate and against which its performance in respect of scope and quality will be monitored. Monitoring of benefits realisation and associated KPIs will form part of the responsibility of the LLP.

2.10 The LLP will undertake and ensure on Cornwall Council's behalf:

- Be the planning applicant for the project delivery.
- If appropriate, act as the manager of the community infrastructure created as part of the project.
- Lead and coordinate development activity at the project site, potentially via subsidiary vehicles.
- Where appropriate, facilitate partnership development arrangements to bring forward housing and employment opportunities at the project site, including joint ventures with other organisations.
- Where appropriate, hold and manage residential, commercial, agricultural and/or industrial land and buildings at the project site in advance of, during and following project delivery (as applicable).
- Lead and coordinate the delivery of such infrastructure works as are necessary as part of project delivery.
- Commission any necessary professional services relating to either the Council's objectives for the project and/or the business objectives of the Delivery Vehicle.
- Carry out such trading activities as will be identified in the Delivery Vehicle's Business Plan (which will be subject to periodic update/review/approval).

2.11 The Council is ultimately the client and who will ensure that the vision is maintained. The client role includes strategic planning and transport functions as well as working with Commercial Services, Finance and legal to provide support to the SPV. This is related to but distinct from the Council's regulatory role expressed via the Local Planning Authority function.

2.12 Both the client role and the LGV Holdings LLP will need to work together with stakeholder representatives, whose position is protected within the masterplan planning consent.

2.13 Key information relating to the Delivery Strategy and the LLP setup is as follows:

**Delivery Strategy – Recommendation 1**

2.14 The proposed Delivery Strategy is included in Appendix 1 to this report. It sets out the overall approach to delivery, including programme, scope, parameters.

- 2.15 The delivery programme spans approximately 25 years, based on estimated delivery of approx. 150 homes per year, for a total of 3,800 homes across the site. Out of the 3,800 homes, approx. 2,600 will be located on Cornwall Council owned parcels. There is a 35% Affordable Housing requirement.
- 2.16 The current development programme envisages housing construction to commence in Q3 2023 with a view to achieve first occupation in Q2 2024. The opening of the first primary school is currently envisaged for September 2025.
- 2.17 The SPV will manage, and be accountable for, the programme in relation to phasing, viability, risks, and S106 obligations (including S106 Schedule 17 Master Developer Covenants).
- 2.18 LGV will be delivered based on an infrastructure first approach, providing a strong framework for development. This approach will result in serviced parcels of land that then can be marketed and sold to developers, under appropriate contracts to ensure obligations are met across the scheme. Housing and infrastructure delivery will be implemented with the LLP acting in an overseeing, coordinating and enabling master developer function to realise the vision in line with the design principles and parameters associated with the hybrid planning consent PA20/09631.
- 2.19 The LLP will further oversee long-term stewardship implementation, likely through setup of a subsidiary vehicle. The Stewardship proposal is outlined in the Delivery Strategy. The details of the Stewardship Model are being developed further over the next few months, informed by the overarching delivery strategy, and will be presented to Cabinet as part of the Treveth Group Business Plan approval process.
- 2.20 Monitoring of and reporting against benefits and associated KPIs will be undertaken by the LLP, allowing a feedback mechanism to adapt the scheme as required to maximise benefits realisation within the financial and commercial constraints set by the Delivery Strategy.
- 2.21 **Recommendation 1 asks for Cabinet to endorse the overall approach to, and scope of delivery as set out in the strategy, as summarised above, see Appendix 1 Delivery Strategy for full detail.**

### **Delivery Model - the Need for a Special Delivery Vehicle (SPV) – Recommendation 2**

- 2.22 LGV is a large and complex development with delivery requiring a dedicated resource and structure with the correct setup. Whilst existing Cornwall Council services could in piecemeal deliver some of the required services to deliver LGV, it would not be able to do this in a particularly effective and

streamlined way. This was explored as part of the Treveth setup proposals in 2018, which concluded that internal delivery is not a realistic option. This position has been re-examined for LGV delivery, with the same conclusion, based on updated legal advice. The business case for the LLP is set out in Appendix 6.

- 2.23 There are financial, legal and tax considerations suggesting that the establishment of an SPV would be a beneficial decision for LGV delivery. The key drivers can be summarised by the following:
- To ring fence the procuring Council against 3<sup>rd</sup> party risk and ensure, for example, that future contractors, developers, purchasers and tenants, only have recourse against the limited resource vehicle, rather than permitting wider recourse against the full resources of the procuring Council.
  - To provide the Development / Investment Vehicle with sufficient degree of autonomy to enable the vehicle to act quickly and respond to market opportunities in line with the relevant One-Year and Four-Year Business Plan.
  - To allow the Council to comply with its statutory powers and enable effective delivery of the commercial elements of the Langarth Garden Village.
  - General Power Of Competence legislation, where a separate limited recourse vehicle is set up, can offer broader and more flexible power to participate in contract, trading and investment activities.
  - To protect the Council from the effects of “right to buy” applying to housing developed by such vehicles.

- 2.24 **Recommendation 2 asks Cabinet to agree that there is a need for an SPV, as summarised above, see Appendix 1 Delivery Strategy, Appendix 6 Business Case and exempt Appendices 3 and 4 Legal and Tax Advice and Appendices for full details.**

**Delivery Model - the Purpose of a Special Delivery Vehicle (SPV) – Recommendation 3**

- 2.25 Agreeing the purpose of the SPV is a key pre-requisite to inform the appropriate legal form choice to be able to harness tax, financial and procurement benefits arising from the Council’s status. The proposed legal form of the SPV is considered further below.



- 2.26 The Council's purpose for the creation of the vehicle is key to making an assessment as to whether it is or isn't acting with a primarily commercial purpose and also therefore influences the legal form.
- 2.27 In summary, the purpose of the LGV SPV is defined as:
- to act as master developer for Langarth Garden Village and oversee, guide and manage delivery of the Outline Planning Consent,
  - to ensure delivery of the vision and design principles as detailed in the planning consent including monitoring benefits and KPIs,
  - to support the sustainable growth and housing priorities of job creation, growth, and improved housing in line with the current Cornwall Council mission to start well, live well and age well, working towards a carbon neutral Cornwall, and
  - to generate a return to the Council to repay the loan taken out to finance LGV to date and thereby reduce financial burden on public finance.
- 2.28 A business case for the establishment of the SPV is set out in Appendix 6 to this report.
- 2.29 **Recommendation 3 asks Cabinet to agree to the purpose of the SPV as outlined in summary above and in Appendix 6 to this report.**

### **The Legal Form of the SPV - LLP Setup (Recommendations 4 and 5)**

- 2.30 Based on information outlined in the Delivery Strategy in Appendix 1, and supporting exempt Appendices 3, 4 and 5, it is recommended that **a Langarth Garden Village ('LGV') Holding Limited Liability Partnership ('LLP') is the preferred legal form for a Special Purpose Vehicle ('SPV') to oversee, guide and manage delivery in the role of master developer.** Cornwall Council would be responsible for setting up the SPV.
- 2.31 This recommendation has been made on the basis of the previous successful use of this option for setting up Treveth Holdings LLP, accompanied by a legal review of the current situation to ensure this approach is suitable for an LGV SPV.
- 2.32 An LLP is a partnership made up of two entities of which one of the members of the partnership will be the Council. It is proposed that the Council will be the primary member, with Treveth Holdings LLP being the sub-ordinate member. This is discussed further in exempt Appendix 3.
- 2.33 The financial model assumes that the landowner (Cornwall Council), working with the LLP who will be acting as Master Developer, will invest in the delivery

of the infrastructure and enabling works. The key method of creating income and ensuring delivery flows from this through the sale of serviced parcels of land to developers.

2.34 In summary of the information contained in Appendices 1, 3 and 4 to this report, key **structure, governance and finance parameters** to guide the LLP setup are set out below.

2.35 **Legal Structure Parameters:**

- Provide clear separation and demarcation between the Council and the SPV
- Ability to enter into contracts with third parties
- Ability to own and dispose of land
- Ability to set up further companies or subsidiaries to fulfil specific functions, such as providing long-term stewardship services
- Ensure the SPV can be set up and managed by CC in a procurement compliant manner

2.36 **Governance Parameters:**

- Ability to manage its own activities (but subject to appropriate CC controls – largely through Cabinet approved one- and four-year business plans, owner boards and ongoing reserved matter decisions)
- Sufficient CC control to enable operation as a Teckal Company (meeting the control, activity and ownership conditions) and any changes set out in the Procurement Bill when enacted
- Sufficient CC control to be able to ensure delivery of the vision and design principles as approved in the consent

2.37 **Finance Parameters:**

- Ability to undertake profit making activities and decide on re-investment of profits made
- Ability to secure third party funding which is likely to need security over assets and thus the need to be ringfenced from the wider activities of CC and from other non-third party funded activities of LGV
- Keep debt burden for CC within agreed parameters
- Legally harness tax benefits (primarily tax transparency to enable the beneficial CC corporation taxation position to be maintained)

2.38 It has been determined that the legal structure of an LLP would be the most beneficial structure within the framework set by the above parameters (Exempt Appendices 3 and 4 – Legal and Tax Advice and Annexes). The proposal therefore is to set up Langarth Garden Village Holding LLP.

- 2.39 It is further proposed that CC will act as the member of the LLP with both primary control of and the rights to the majority share of profits (currently proposed to be 98% or more). Treveth Holdings LLP and its subsidiaries are proposed to act in the capacity of the relevant sub-ordinate member.
- 2.40 The Council can enter into a contract with the vehicle and let functions to it without opening up opportunities to external competition, subject to meeting certain tests set out in the Public Contracts Regulations. It is critical in order for the Council to control the benefits realisation through LGV delivery that it can directly award work. Therefore, the vehicle will be set up to be a Teckal compliant LLP.
- 2.41 The Council will exert strategic control over the LLP both as owner and client/commissioner. It is envisaged that the Council will have enhanced voting rights and powers and a right to the predominant share of all the profits generated in any LLP. It will achieve influence in a number of ways including through the Cabinet approved one- and four-year business plans, Owner Boards, Reserved Matters and where it has delegated authority to approve project gateways.
- 2.42 Separate vehicles are generally required where a Contracting Authority (here Cornwall Council (“CC”)) intends to undertake profit making activities or where 3rd party funding is envisaged (which is likely to need security over assets and thus needs to be ringfenced from the wider activities of both CC and Treveth and from other non-3rd party funded activities of LGV. As both i) profit is intended to be generated and ii) separate 3rd party funding may also be envisaged here to reduce any CC and/or LGV debt burden in the future, a separate corporate vehicle to deliver LGV is proposed.
- 2.43 Also, separate vehicles provide separation and demarcation (in the eyes of the market) between Cornwall Council and the LGV LLP and allows LGV to manage its own activities (but subject to appropriate CC controls – largely through pre agreed business plans and ongoing reserved matters).
- 2.44 **Recommendation 4 asks Cabinet to agree to the SPV being set up as an LLP, with Cornwall Council exercising primary control, and Treveth Holdings LLP being the sub-ordinate member. Recommendation 5 asks Cabinet to agree to the LLP being set up as a Teckal compliant entity.**

#### **Governance and Next Steps:**

- 2.45 It is envisaged that the LLP will have what will be similar to a company board referred to as a Project Committee in line with the existing arrangements in place with Treveth Holdings LLP. This will oversee the operational delivery of

the LLP. Each partner will have a member representative who is represented on the Project Committee of the LLP.

- 2.46 Council side governance of the LLP will be in accordance with Article 20 – Governance of Council Owned Entities and the Protocol for the Governance of Council Owned Entities. The LLP will prepare a one- and four-year business plan, to be approved by Cabinet. Further detail is set out in Appendix 6.
- 2.47 Whilst the aim is for a 1 April 2023 commencement for the LLP, it is likely that the full operationalisation will be beyond that point. The key is ensuring that the vehicle is in place to ensure the development programme falls in line with infrastructure delivery including that of the Northern Access Road (NAR) which has milestones tied to significant government funding. The current arrangement of Treveth supporting Cornwall Council on an advisory basis will continue until the LLP is in place, providing continuity and moving delivery forward in the interim.
- 2.48 If Cabinet approve the recommendations there is a significant amount of work to be undertaken to establish the financing, legal and governance arrangements to achieve the Business Plan delivery. Cabinet is asked to delegate authority to the Strategic Director for Sustainable Growth and Development in consultation with the Section 151 Officer, the Portfolio Holder for Housing and Planning, the Portfolio Holder for Economy, the Portfolio Holder for Resources and the Monitoring Officer to prepare, approve and sign the necessary documents to underpin the financing, legal and governance arrangements to achieve the setup of the LLP. This will include a delegation to allow for land to be transferred to the LLP as this would otherwise require specific consent from Cabinet where the land value of a particular parcel of land exceeded £1million.
- 2.49 **Recommendation 6 asks Cabinet to delegate authority to prepare, approve and sign the necessary documents to underpin the financing, legal and governance arrangements to achieve the setup of the LLP.**
- 2.50 The phasing and borrowing are under current review and will evolved and updated as part of the business and viability assessment for the LLP.

### **3 Benefits for Customers/Residents**

- 3.1 Langarth Garden Village (LGV) is a key strategic development for Cornwall, making a significant contribution to addressing housing needs and providing employment opportunities, in line with Local Plan targets. Benefits of the overall scheme were discussed in more detail in the [4 November 2020 Cabinet Report](#) titled “Langarth Garden Village programme continuity, Threemilestone community projects and future acquisitions and disposals”.

- 3.2 The implementation of the LLP would be the next step in realising the envisaged benefits. As set out in this report and the Delivery Strategy in Appendix 1, the LLP will act as master developer overseeing, coordinating and enabling function to realise the vision in line with the design principles and parameters associated with the hybrid planning consent PA20/09631.
- 3.3 Delivery of LGV is intended to deliver a return to the Council to pay back the LGV borrowing thereby reducing pressure on public finance through reduction in interest payments, deliver improved economic growth, housing and employment, and provide extensive environmental and community benefits.
- 3.4 The LGV Benefits Realisation Strategy will set out which benefits are envisaged to be achieved and how. The LGV Holdings LLP would be responsible for implementing the Benefits Realisation Strategy including monitoring of KPIs and would be accountable to Cornwall Council for it.
- 3.5 The non-financial benefits of Langarth Garden Village describe the factors that will help to contribute to a socially sustainable community that is striving to be socially, economically and environmentally sustainable. Langarth Garden Village will:
- Make services more easily accessible for new and existing residents
  - Encourage the improvement of residents' health
  - Enable the Council to understand resident needs better
  - Increase economic resilience and social sustainability
  - Retain the uniqueness of the Cornish landscape
  - Promote local talent through a variety of programmes
  - Create a healthy and biodiverse natural environment
  - Create a zero-carbon, sustainable environment
  - Enhance employment opportunities in the locality
  - Provide the opportunity for people from diverse backgrounds to live at Langarth by providing high-quality housing of the right mix
  - Create stronger local businesses
  - Create a stronger local labour market
  - Provide links to the wider transport network
  - Provide cheaper and more sustainable energy.
- 3.6 These benefits are consistent with the Design Principles and will also contribute to wider policy objectives, including the Cornwall Business Plan and the Cornwall Local Plan. The Benefits align with the Council's Priority Outcomes, see diagram below showing the 2022-2026 Strategic Context in relation to Benefits envisaged to be delivered by LGV.

PURPOSE	PRIORITY OUTCOMES		BENEFITS
Working with communities for a carbon zero Cornwall where everyone can start well, live well, and age well.	Thriving, Sustainable Cornwall	A secure home for all	10. Provide an opportunity for all different backgrounds to live at Langarth by providing high quality housing of the right mix
		A decent income for all	6. Promote local talent through a variety of programmes
			9. Enhance employment opportunities in the locality
	A great environment for all	12. Create a stronger local labour market	
		7. Create a healthy and diverse natural environment	
	A brilliant place to be a child	8. Create a zero carbon, sustainable environment	
		14. Provide cheaper and more sustainable energy	
	Vibrant, safe, supportive communities	5. Keep the Cornish uniqueness of the landscape	
		1. Make services more easily accessible for new and existing residents	
		2. Improve residents health	
	Enterprising, empowering organisation	4. Increase land value	
13. Provide Links to the wider transport network			
3. Allow the Council to understand resident needs better			
11. Create stronger local businesses			

- 3.7 It is envisaged that responsibility for monitoring and benefits realisation will sit with the master developer, supported by Cornwall Council resource and data as required. The stewardship organisation may be able to take ownership of some of the monitoring and benefits, but not all, and the ultimate responsibility for ensuring realising benefits and remaining within parameters during delivery sits with the LLP.

## 4 Relevant Previous Decisions

- 4.1 Previous decisions relating to Langarth Garden Village of main relevant to this report are:
- Report to Cabinet on 4 November 2020 pursuant to which Cabinet resolved to endorse the Langarth Garden Village masterplan, approve the strategic outline case for a stewardship model for the Scheme, approve the commitment of expenditure towards the community centre, playing field and public realm improvements at Threemilestone, and the new primary school to form part of the Scheme, acquire additional land required for the implementation of the Scheme set out in an exempt report and a series of delegations to the Strategic Director for Economic Growth and Development (now Sustainable Growth and Development) to implement the scheme and resolve issues arising within given parameters. This report included references to the parts of Langarth Garden Village known as Langarth Phases 1, 2, 3, 4 and 5. It also included authority for the Strategic Director for Economic Growth and Development to complete future acquisitions for parcels of land, interests and development agreements in or within close proximity of the Langarth Garden Village boundary, or as may be required for key

infrastructure or other necessary mitigations, to facilitate delivery of the scheme, to be funded from the approved capital programme (Recommendation 9).

<https://democracy.cornwall.gov.uk/mgAi.aspx?ID=88431>

- Report to Cabinet on 15 December 2021 following which Cabinet resolved that the Community Infrastructure Levy monies collected from the development of the Scheme be retained and applied to infrastructure in the geographical areas of Truro, Kenwyn, Chacewater, Kea and St Clements.

<https://democracy.cornwall.gov.uk/ieListDocuments.aspx?CId=577&MId=10079&Ver=4>

- Report to Cabinet on 15 June 2022 following grant of planning consent for the making of a Compulsory Purchase Order, a Side Roads Order, use of powers of appropriation and the exercise of powers related to statutory undertakers, telecommunications providers and rights of way in support of the delivery of Langarth Garden Village, resolved to take all necessary actions to secure the confirmation of the CPO, and SRO, and take all necessary actions to implement the CPO and SRO, to enable the delivery of Langarth Garden Village.

<https://democracy.cornwall.gov.uk/ieDecisionDetails.aspx?AllId=96058>

4.2 Following on from the 2020 decision, a planning application was developed and submitted, this was approved by the December 2021 Strategic Planning Committee and a Decision Notice issued on 5 April 2022, ref PA20/09631.

4.3 The decision to proceed with the Delivery Strategy and the associated setting up LGV Holdings LLP as requested in this Cabinet Report builds on these decisions and the successful grant of planning permission and will enable the project to move forward into delivery. This report sets out how the Council will deliver Langarth Garden Village, in a viable, compliant and efficient manner within the constraints and parameters set by previous decisions and approvals.

## 5 Consultation and Engagement

5.1 There are distinctions to be drawn between:

- the long history of public and community engagement from 2018 through to grant of planning consent in April 2022, and as recurrently described through the various Cabinet reports over that period
- the emerging role for the stakeholder panel / Local Forum (a condition in the planning consent) to ensure ongoing scrutiny of future reserved matters applications

- engagement with landowners and interested parties potentially affected by any compulsory purchase order
- the Council's choices about how to administer the delivery of the Garden Village

5.2 It is that latter point that is the focus of this paper, and which is a more internal procedure. It is acknowledged that there are consequences of those decisions, particularly associated with stewardship and the creation of a lead vehicle which other stakeholders will have to engage with. However, this paper is dealing primarily with the financial, legal and administrative mechanics.

5.3 The Delivery Strategy requires the master developer to work in line with the vision and design principles, to bring LGV to fruition as intended. This includes community and stakeholder involvement. With Cornwall Council retaining a primary role in the LLP as well as acting in client and regulatory functions in relation to LGV, the Council has a key role to play in regard to consultation and engagement.

## 6 Financial Implications of the proposed course of action/decision

### Background

6.1 The Council has been acting as the master developer on the Langarth Garden Village project since its inception. To support this the Council has approved revenue and capital budgets which are funded as set out in the table below:

**Figure 5 – Langarth Garden Village Current Approved Budgets**

	Capital £m	Revenue £m	Total £m
Prudential Borrowing	109.265	0.000	109.265
External Grant	48.197	0.000	48.197
Council Reserves	7.244	1.356	8.600
<b>Total Budget</b>	<b>164.706</b>	<b>1.356</b>	<b>166.062</b>

As at 31/8/2022 :	
Actual Spend is	£95.868m
Total Committed	£150.965m

6.2 The current approvals also include the approved delegation that the programme can increase as it rolls out and land/plot begin to be disposed of. The current strategy is that the Council has approved a peak debt of £109m with the target that this is eventually fully repaid including the cost of servicing over the period of development. The cost of servicing the £109m peak debt will be c£5m per annum whilst it is at or around the peak, this may



be for a number of years and this cost is budgeted for within the Councils Capital Financing Budget.

- 6.3 The Council to date has worked to get the land assembled for the Langarth Garden Village for both the housing development and the public infrastructure, develop the design for the Northern Access Road, agree the development design framework and get the relevant planning permission required at this stage. The next stage is to deliver the public infrastructure and look to start the process of disposing of some of the development land/plots to house builders. With this move to the next phase, it is also the right time to review on what is the best delivery model for this phase of activity.

### **Delivery Model**

- 6.4 The Council acting as master developer would be subject to restrictions due to standard local government accounting policies and the strict split of revenue and capital as well as the Council's partial exemption status on VAT. In reality the Local Government code for accounting and the special VAT status granted to Local Authorities is based on a Council delivering the traditional public services to the residents in its geographical area, it is not structured to support the Council acting as major master developer on a new garden village delivering 2,500+ houses. The issue of local authorities becoming involved in commercial type activity was identified some time ago by the Government and the Localism Act. It is clear that trading/commercial activity should be delivered through a Local Authority Company that then addresses the conflicts with Local Government traditional accounting legislation.
- 6.5 Therefore, the delivery structure now needs to change with the public infrastructure such as NAR and School staying with the Council to deliver as this is traditional Council activity and the completed assets will remain within the public sector. The development land i.e., the land for building houses on will transfer to a Council owned Company. The Company will be able to better facilitate the structured disposal of the development land and the accounting will be the same as a private sector developer and not be fettered by the inappropriate Local Government accounting framework.
- 6.6 As set out earlier in the report the type of Company that will be used is a LLP structure, this is the same as the current structure of Treveth and the Langarth LLP will sit alongside the Treveth structures.
- 6.7 The financial model assumes that the landowner (Cornwall Council), working with the LLP who will be acting as Master Developer, will invest in the delivery of the infrastructure and enabling works. The resultant serviced land parcels will then be sold to house builders.

- 6.8 The land that is within the ownership of the Council currently will need to be split between the land that is required to build the Public Infrastructure on and the land that will become the development land and will transfer to the new LLP company.
- 6.9 The transfer of the land to the LLP will need to be compliant with subsidy control rules and the Council's statutory requirements in relation to the disposal of land held for planning purposes.
- 6.10 As the entity proposed is an LLP the entity will need to be capitalised/funded from loans as equity is only relevant to share companies. Therefore, to enable it to "buy" the land from the Council the LLP will need to be capitalised through borrowing from the Council. If the loan is structured on a capital basis this should enable CC borrowings to be readily utilised.
- 6.11 The LLP will not have regular source of revenue as its revenue will come from periodic land/plot disposals it may not be able to either pay the interest on the RCF and may need to roll up the interest.
- 6.12 Therefore, it is likely that the land will transfer to the LLP on a phased approach to ensure the LLP does not come overburdened with debt and the cost of servicing the debt. The timing and extent of the phasing will need to be worked as part of the detailed business plan for the LLP and kept under review as part of the viability and management of peak debt within the business.
- 6.13 The borrowing will form two elements and will use a similar to the model used for Treveth, these are:
- the borrowing required to purchase land to be held for more than a very short time before disposal will be a term loan secured against the value of the land and be treated as capital expenditure in the Councils accounts. This will be based on an annuity loan with annual principal and interest repayments.
  - the borrowing required to provide cashflow to finance the LLP operations (including any land that may only be held for a very short time) and to initially provide funding to service any term loans will be an unsecured revolving cash flow (RCF) loan which will be treated as a Treasury investment. The LLP will not have a source of revenue in the early days but when it starts to dispose of development land this will allow it to generate revenue that can repay the RCF (interest and principal) and be used to service the term loan.
- 6.14 Although the Council will have to treat the term loan as capital which will require funding there is no overall increase in resources as the disposal of land

to the LLP will generate a capital receipt equal to the term loan. The capital receipt will in theory paydown part of the existing Council borrowing for Langarth hence reducing the Council capital financing requirement but will immediately be replaced by “new” borrowing to fund the loan to the LLP. The RCF will provide income to the Treasury Management budget in the same way as if invested in the money markets.

- 6.15 By paying down part of the original Langarth borrowing there will be a saving in the Council’s capital financing budget in relation to MRP and interest. The new loan will be serviced by income from the new LLP which after an initial short period which will require a RCF loan will be done from the sale proceeds arising from the disposal of development land. The “profit” from the land sales generated by the LLP can be passed back to the Council in the fullness of time as revenue that can then compensate the Council for the cost of carry of the original peak debt it incurred setting up the Langarth Garden Village.

### **Viability**

- 6.16 The key method of creating income and ensuring delivery of the scheme at Langarth is through the sale of serviced parcels of land to third parties including developers.
- 6.17 Current modelling suggests that over approximately 25 years, the land under Cornwall Council’s ownership will deliver housing (approximately 2,600 units) through a phased approach to assist viability and reduce peak debt and with a view providing a long term return to the Council.
- 6.18 Funding requirements are currently designed to be sourced through Council channels (including Homes England funding) and Section 106 monies raised from developer contributions within the Garden Village, including LGV’s own contributions where the LLP will deliver schemes.
- 6.19 LGV is also intended to create income streams through its investments. For instance, income can be generated over time from the third-party connections to the power infrastructure (via rebate payments).

### **Place Making Premium**

- 6.20 A ‘Place Making Premium’ of 1.28% per annum has been applied to the current financial model. ‘Place Making’ is the term used to describe the way in which properties appreciate in value over time as they are delivered into a well-developed Garden Village, with the necessary social and physical infrastructure in place to allow new residents to enjoy more benefits than those that move in during the earlier years of the development. The perception is that a 1.28% premium appreciating annually is conservative in

nature and therefore greater returns might be expected if the quality of the development is delivered as planned.

- 6.21 It is expected that placemaking investment will take place early on with revenue to follow in later phases. A conservative assumption has been made that non-residential land currently creates no land value. This is hoped to be subject to a positive revision as plans develop.

### **Section 106 Contributions**

- 6.22 The current model assumes that there will be a split in how Section 106 (S106) contributions will be paid between the Master Developer and housebuilders etc. The latest projections forecast that £44,010,000 will be paid throughout the life of the development. There could be a reduction of £7,500,000 should there be a better than forecast uptake of the sustainable transport systems that are to be provided, although that seems unlikely currently based on the expectations within the transport model.
- 6.23 Of the £44,010,000 it is expected that the Master Developer will expend approximately £32,500,000 initially (with £7,500,000 of that being recovered from Developers following completion of the current anticipated phase 1), taking the final exposure to £25,000,000. Developers are forecast to make S106 contributions of approximately £19,000,000 throughout the life of the scheme, between the remaining phases, all of which will be recovered via land sales.

### **Cornwall Council Funding Allocations**

- 6.24 Cornwall Council's Cabinet approved a spending allocation of £159.047m Capital and £7.627m Revenue. The £159m included £47.5m HIF Grant funding from Homes England.
- 6.25 In order to deliver the Garden Village, and ensure a return on investment, the peak debt limit will need to be kept under review in line with the scheme viability to account for market variables and conditions and taking into account an appropriate phased approach to delivery.

## **7 Legal/Governance Implications of the proposed course of action/decision**

- 7.1 The Council may both borrow and invest for any purpose relevant to their functions and for the prudent management of their financial affairs (Section 12 of the Local Government Act 2003) (subject to compliance with statutory guidance).
- 7.2 The Council has been developing LGV relying upon its General Power of Competence under the Localism Act 2011 ('the 2011 Act'). Whilst there is a

limitation under Section 4 of the 2011 Act that requires where a local authority does things for a commercial purpose, that these must be undertaken through a limited company. The Council's reasons for developing LGV are set out in earlier decisions but to summarise this is to support the economic development priorities of job creation, improved housing, and improving local facilities. In promoting LGV, the Council is seeking to regenerate and develop through a combination of master planning and developing and selling/letting strategic parcels of land in a commercially viable manner (as distinct from undertaking activity which is for a purely commercial purpose). The current leading case law (R (Peters) v Haringey LBC) ('Peters') supports the view that the delivery vehicle can take the form of an LLP as opposed to being in the form of a limited company in these circumstances.

- 7.3 The recommended form of an LLP provides various significant tax advantages and is a form that has been used for the Council's investment programme delivery vehicle (the Treveth Group). LLPs operate on a tax transparent basis, so that the vehicle itself is not subject to corporation tax but each of its members (in the case of LGV, the Council and Treveth Holding LLP) are individually taxed on the income and gains derived from the vehicle. The recommendation from the legal and tax advice is that the Council holds the majority right to returns in the LLP (98%) and the remainder is held by Treveth Holdings LLP. The Council will have effective control through a range of mechanisms. These include the categorisation of reserved matters which will need Owner approval, the approval of the long term business plan which the LLP is required to work within. In addition this will be through appointments to the Project Committee (which here is akin to the board of a company limited by shares).
- 7.4 The Council (via Treveth) has sourced independent advice on tax in particular addressing LLP status, VAT and SDLT to ensure maximum efficiency in terms of proposed delivery structure (thereby supporting the viability of LGV). This advice is being updated following Leading Tax Counsel advice to ensure the scheme operates as desired and tax liabilities are dealt with as efficiently as possible. The current versions of the advice are appended at Exempt Appendices 3 and 4 to this report.
- 7.5 In terms of public procurement, the set-up of the LLP is not caught by public procurement rules. Where the LLP is set up a Teckal entity, the Council may award contracts to it directly without undertaking a procurement process. To qualify for Teckal status, the following conditions apply:
- (1) The Council controls the LLP as if it were an internal department;
  - (2) More than 80% of the LLP's activities are entrusted to it by the Council;
  - (3) There is no direct private capital contribution in the LLP.

It is intended that all of these conditions will apply to the LLP.

- 7.6 There is the question of whether the LLP's activities are within scope of the public procurement rules. The Public Contracts Regulations 2015 (as amended) ('the PCRs'), include "bodies governed by public law" which includes the question of whether the entity is set up to act in the general interest and not having a commercial or industrial character. Where the LLP is set up with a view to making a profit (as is the intended case for LGV), it is likely that it can be structured and operated so as not be considered to be a body governed by public law in accordance with the PCRs.
- 7.7 The new Procurement Bill is planned to come into force in early 2023 with the intention that this replaces and simplifies the existing procurement regime. The Cabinet Office has stated that there is "no intention to make any core conceptual changes" to the existing PCRs however the definition of "contracting authority" is proposed to be replaced with the concept of a public authority with "functions of a public nature" as opposed to "meeting needs in the general interest, not having an industrial or commercial character". There is no clarity what "functions of a public nature" actually means however it is anticipated that is likely to be clarified. The view from Counsel is that the change is unlikely to be significant and operates to transfer the focus from what is being done to who is doing that thing. So this means the activities of LGV if operated within its agreed parameters are unlikely to be caught by public procurement rules.
- 7.8 It is likely that the LLP and any stewardship vehicle will be caught by other public legislation including the Freedom of Information Act and potentially the Local Government Transparency Code.
- 7.9 The Council owned land at LGV is held pursuant to planning powers and any disposal to the LLP will need to comply with the Council's statutory obligations including compliance with subsidy control rules. Valuations will need to be undertaken to inform the value of the relevant disposal parcels. The delegation sought in this report will allow the Strategic Director to approve land disposals even where the value of the parcels exceeds £1million which is in line with existing delegations relating to the development of LGV.
- 7.10 Where lending to the LLP by the Council is comparable with terms that a private sector or market lender would provide then this will not fall within the definition of a subsidy for the purposes of the subsidy control rules. This will need to be assessed at the point in time when lending is provided by the Council to the LLP. The rates will need to be set at a level to be compliant with the Council's statutory obligations and subsidy control rules.
- 7.11 The proposed governance arrangements for the LLP align with the existing arrangements put in place for Treveth.

## **8 Risk Implications of the proposed course of action/decision**

### 8.1 Changing market conditions impacting on viability and/or delivery

### 8.2 Implementation

- Speed for set up to have the LLP in place by 1 April 2023, and to have appropriate resource in the interim to continue delivery
- Recruitment of key staff in challenging workforce markets
- Agreeing appropriate governance mechanisms including a CC side client role

### 8.3 Delivery

- Changes to the purpose and/or activities of the vehicle could change the legality of the solution and the procurement flexibilities

### 8.4 Monitoring

- Final Benefits Realisation Strategy and associated KPI monitoring framework yet to be agreed

## **9 Cornwall Development and Decision Wheel**

9.1 The Council seeks to weigh the impacts of its decisions through the use of a decision wheel process. A decision wheel for the proposed Langarth Garden Village development was previously completed and included within the November 2020 Cabinet report – this is linked [here](#). This identified a number of positive effects arising from the intervention by Cornwall Council to provide a new comprehensively planned community for between 8,000- 10,000 residents, whereas previous disjointed proposals by a number of developers and landowners would not have achieved these benefits.

9.2 The setup of a Delivery Vehicle was reviewed. The Decision Wheel forms Appendix 2 to this report.

9.3 For this particular decision on a Delivery Vehicle, no changes to the previously agreed decision wheel were identified so that no or neutral impacts were recorded for each of the questions.

## **10 Options available**

10.1 Cornwall Council has experience in setting up SPVs. The most recent example was the creation of Treveth Holdings LLP in 2019, set up to be the delivery

vehicle for the Council's Investment Programme (IP) and Housing Development Programme (HDP). The Business Case including option appraisal prepared for the setup of Treveth Holdings LLP has informed a decision to adopt a similar approach for an LGV SPV. Legal advice was obtained to review that an LLP was indeed a suitable solution, and it was confirmed that it was (see confidential Appendix 3). Some of the key points are summarised below.

- 10.2 Three key options were considered for the 2019 Treveth setup and are also applicable to the LGV SPV setup. Only option one and two were considered viable with different benefits and dis-benefits explored for the Treveth setup previously, with Option 2 determined to be the preferred option.
- Option 1: Council to establish a vehicle to deliver through a Company Limited by Shares
  - **Option 2: Council to establish a vehicle to deliver in Partnership through a Limited Liability Partnership**
  - Option 3: Council to deliver the proposed activities in-house
  - Option 4: Do Nothing
- 10.3 The LLP vs CLS option was tested again by specific legal advice commissioned for the LGV Delivery Vehicle, which concluded that the LLP setup (Option 2 highlighted above) would also be the preferred option for LGV SPV.
- 10.4 Do nothing would not be an option as it would result in delivery of LGV not going ahead, thereby going against all previous strategic decisions taken by the Council in regard to LGV and was not considered further.

## **11 Supporting Information (Appendices)**

- 11.1 Appendix 1 – Delivery Strategy.
- 11.2 Appendix 2 – Cornwall Development and Decision Wheel.
- 11.3 Appendix 3 – Legal and Tax Advice – EXEMPT.
- 11.4 Appendix 4 – Annexes to Appendix 3 – EXEMPT.
- 11.5 Appendix 5 – Current Viability Model – EXEMPT.
- 11.6 Appendix 6 – Business Case.

## **12 Background Papers**

- 12.1 None.



### 13 Approval and clearance

#### All reports:

Final report sign offs	This report has been cleared by (or mark not required if appropriate)	Date
Governance/Legal (Required for <b>all</b> reports)	Mark Pearce	05.12.2022
Finance (Required for <b>all</b> reports)	Russell Ashman	05.12.2022
Cornwall Development and Decision Wheel (Required for <b>all</b> reports)	Gail Bishop	20 Oct 2022
Service Director (Required for <b>all</b> reports)	Phil Mason on Louise Wood's behalf	06.12.2022
Strategic Director (If required)	Phil Mason	06.12.2022



# Delivery Strategy

Rev 6.0

November 2022



Langarth  
Garden Village



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# 1. Executive Summary

## 1.1. Delivering Langarth Garden Village

- 1.1.1. Based on information outlined in this strategy, it is being recommended that a Langarth Garden Village ('LGV') Holding Limited Liability Partnership ('LLP') should be set up as the Special Purpose Vehicle ('SPV') to oversee, guide and manage delivery in the role of master developer.
- 1.1.2. This recommendation has been made on the basis of the previous successful use of this option for setting up Treveth Holdings LLP, accompanied by a legal and tax review of the current situation to ensure this approach is suitable for an LGV SPV.
- 1.1.3. The current financial model assumes that the landowner (Cornwall Council), working with the LLP who will be acting as Master Developer, will invest in the delivery of the infrastructure and enabling works. The key method of creating income and ensuring delivery flows from this through the sale of serviced parcels of land to developers. The phasing and borrowing are under current review and will evolve and be updated as part of the business and viability assessment for the LLP.
- 1.1.4. LGV will be delivered in line with the strategy set out in more detail in this report. It consists of housing and infrastructure delivery, with the LLP acting in an overseeing, coordinating and enabling function to realise the vision in line with the design principles and parameters associated with the hybrid planning consent PA20/09631.
- 1.1.5. The SPV will further oversee long-term stewardship implementation, likely through setup of a subsidiary. The Stewardship proposal is outlined in this Strategy in Section 8. It is being developed further over the next few months, informed by the overarching delivery strategy, with a view to present a Full Business Case for Long-term Stewardship to Cornwall Council's Cabinet in early 2023.
- 1.1.6. Monitoring of benefits and associated Key Performance Indicators will be undertaken by the LLP, allowing a feedback mechanism to adapt the scheme as required to maximise benefits within the financial and commercial constraints set by the delivery strategy.

## 2. Introduction

### 2.1. Purpose

- 2.1.1. The Delivery Strategy provides a framework of parameters for implementing the outline element of the Hybrid Planning Consent PA20/09631 for LGV. It also summarises key financial and legal advice.
- 2.1.2. The recommendations set out in this Delivery Strategy will inform the overall Business Plan of the LLP once the vehicle has been incorporated.
- 2.1.3. There are two main considerations for delivering a project of this size and scale: who is responsible for delivering the scheme and how the project will be constructed. Both of these elements are covered within this Strategy.

### 2.2. Who is delivering Langarth Garden Village?

- 2.2.1. Cornwall Council will be responsible for setting up the Special Purpose Vehicle ('SPV'), and it has been determined that a Limited Liability Partnership ('LLP') is most suitable. The LLP will be formed to manage delivery of the LGV, see sections 5 and 6 for more detail.

### 2.3. How will Langarth Garden Village be delivered?

- 2.3.1. Delivery will be through a master developer in the form of the LLP, overseeing, guiding and managing the implementation within the set constraints and parameters, and in line with the vision and the design principles set by the planning parameters. It will be based on an infrastructure first approach, ensuring that serviced plots are available in line with the development programme.
- 2.3.2. There will be various parties involved in implementation, including the Council, utility companies, developers that have purchased plots from the Council and third parties owning land within the wider application boundary. It is the role of the master developer to coordinate and manage all these moving parts to come together as the whole that will be LGV. See sections 7 and 8 for delivery and monitoring details.

### 2.4. Why is a Delivery Vehicle Needed?

- 2.4.1. The Localism Act 2011 provides local authorities with the General Power of Competence (GPOC). This power builds on provisions within the Local Authorities (Goods and Services) Act 1970 and the Local Government Act 2003 to provide for local authorities in their income generation activity. Where local authorities are carrying out activity which is principally commercial in nature this should be undertaken through a corporate vehicle.
- 2.4.2. It should be noted that local authorities across the country have sought to set up Development Vehicles for a range of reasons on a similar basis. Where such vehicles are to undertake 'commercial activities' among other things to generate profit, often these have been through some form of limited liability vehicle. The reasons for this are severalfold but the key drivers can be summarised by the following:
  - To ring fence the procuring Council against 3<sup>rd</sup> party risk and ensure, for example, that future contractors, developers, purchasers and tenants, only have recourse

against the limited resource vehicle, rather than permitting wider recourse against the full resources of the procuring Council.

- To provide the Development / Investment Vehicle with sufficient degree of autonomy to enable the vehicle to act quickly and respond to market opportunities in line with the relevant One-Year and Four-Year Business Plan.
- To allow the Council to comply with its statutory powers and enable effective delivery of the commercial elements of the Langarth Garden Village.
- General Power Of Competence legislation where a separate limited recourse vehicle is set up can offer broader and more flexible power to participate in contract, trading and investment activities.
- To protect the Council from the effects of “right to buy” applying to housing developed by such vehicles.

## 2.5. The Vision and Design Principles

2.5.1. The Vision for LGV was first articulated in the initial master-planning stages for the scheme undertaken in early 2018. It is supported by the following design principles (agreed with stakeholders and underpinning the planning consent), which are manifested in the scheme through the Design Code and associated documents, and the parameter plans:

- Work with and enhance the quality of life for existing communities;
- Making it easy and possible to get around on foot, bike and public transport, both within Langarth and into surrounding communities;
- Help instil a strong sense of community;
- Creating a place that builds upon and celebrates this unique environment;
- Create a hard-working landscape that not just looks beautiful, but is productive and functional;
- Promote healthy and active lifestyles and a sense of wellbeing;
- Designing for climate change resilience;
- Offer a mix of homes meeting the varying needs of residents;
- Creating jobs and enhancing existing employment opportunities; and
- A vision that is deliverable.

**Figure 1 – Illustrative Masterplan**

- 2.5.2. Living in LGV will mean being part of a distinctive community with beautifully designed homes which meet the needs and budgets of all sectors, set in high quality open spaces. A community where schools, innovative workspaces and health, cultural and leisure facilities are connected by walkable corridors, providing an unrivalled quality of life. A community where residents of all ages can enjoy the benefits of rural life while having easy access to, and positive connections with, the city and surrounding communities. LGV will be a place where people start well, live well and age well in line with Cornwall Council’s mission, offering educational, residential, communal, health and employment uses.
- 2.5.3. All new homes are envisaged to adopt Future Homes Standard as a minimum, with net zero carbon being delivered through a combination of roof-top solar and low carbon district heating as the preferred solution, responding to Cornwall Council’s climate change and carbon neutral aspirations. Biodiversity will be increased by up to 20%, responding to the biodiversity emergency.
- 2.5.4. The Council has been successful in its application to the Green Heat Network Fund and Langarth will be a direct beneficiary in providing a district heat network. This supports viability and sustainability of the scheme.

## 2.6. Scope

- 2.6.1. As Master Developer, the LLP will oversee, guide and manage the implementation of the Outline Part of Planning Consent PA20/09631, which will include dealing with all Reserved Matters Applications, planning conditions, S106 obligations and monitoring requirements including benefit and KPIs. It will also include compliance management for all conditions, obligations and measures. The LLP will also manage the programme office, including the administration of Cornwall Council governance and the management of the programme and projects performance, which includes the risks, issues and the overall budget.



- 2.6.2. The Full Permission Part of Planning Consent PA20/09631 will be implemented by Cornwall Council, with the support from Homes England administered Forward Funding. This covers the construction of a new Northern Access Route (the “NAR” or ‘Fordh Langarth’) running from a new gateway at West Langarth through to the A390 roundabout at the Royal Cornwall Hospital to the east. Fordh Langarth will unlock land for development and be a road built for access and not to provide a new traffic route. The role of the LLP in that part of the development is to take on coordinating and supporting functions to ensure full integration with and harnessing of benefits for the emerging Garden Village.
- 2.6.3. The LLP will actively engage with the community and oversee the implementation of the long-term stewardship organisation. There will be monitoring and benefits realisation requirements that the LLP will have to fulfil.
- 2.6.4. The Master Developer will also oversee the implementation of the Energy Centre and a District Heat Network, which will ensure that the Garden Village becomes the flagship scheme of Cornwall, providing benefits to local residents via energy subsidies and investment opportunities into the service provider. The benefits to Cornwall Council go even further, as the placemaking premia by providing serviced parcels with a District Heat Network as part of those services, will not only provide a larger surplus of revenue over the lifetime of the project, increasing viability, but also have a wider positive impact on the running costs and management of all community assets, in and around the scheme.
- 2.6.5. Scope is further detailed in Sections 7 and 8 of this Delivery Strategy.

### 3. Current Position

#### 3.1. Planning

- 3.1.1. The hybrid planning application, which can be viewed under reference number PA20/09631, was unanimously approved at Strategic Planning Committee on 16 December 2021. The planning permission with conditions was issued on 5 April 2022 and is supported by a section 106 agreement (which needs to be entered into before commencement of development in any development parcel).
- 3.1.2. Key documents defining the planning and quality parameters for any RMAs going forward, and therefore setting the planning and quality framework for the scope undertaken by the master developer, are:
- The Planning Permission and its associated conditions;
  - Approved Parameter Plans, including for land use, landscape, movement and access, SUDS, buildings, ecology, heritage – refer to planning permission for full list of plans;
  - Design Code and associated documents; and
  - Environmental Impact Assessment including mitigation measures, and Table 19.1 also referenced in the Planning Conditions.
- 3.1.3. In order to commence delivery within the red line of the hybrid planning permission (other than the NAR for which detailed planning permission is already held), Reserved Matters Applications (RMAs) for the relevant works or phases must first be submitted to the local planning authority (LPA) for approval. As set out in the conditions attached to the outline element of the hybrid planning permission, a Neighbourhood Design Code will need to be prepared for each neighbourhood and submitted for approval before or with the first reserved matters application for any neighbourhood area.
- 3.1.4. The LLP will be responsible for ensuring these codes are prepared and reflect the Design Code ambitions, including coordination with adjacent or third-party developers.

#### 3.2. S106 Obligations

- 3.2.1. The Section 106 stipulates Master Developer Covenants at Schedule 17. These are envisaged to be under the remit of the LLP, which will act as master developer, and are to be considered an important part of the scope of the LLP.

#### 3.3. Land Ownership

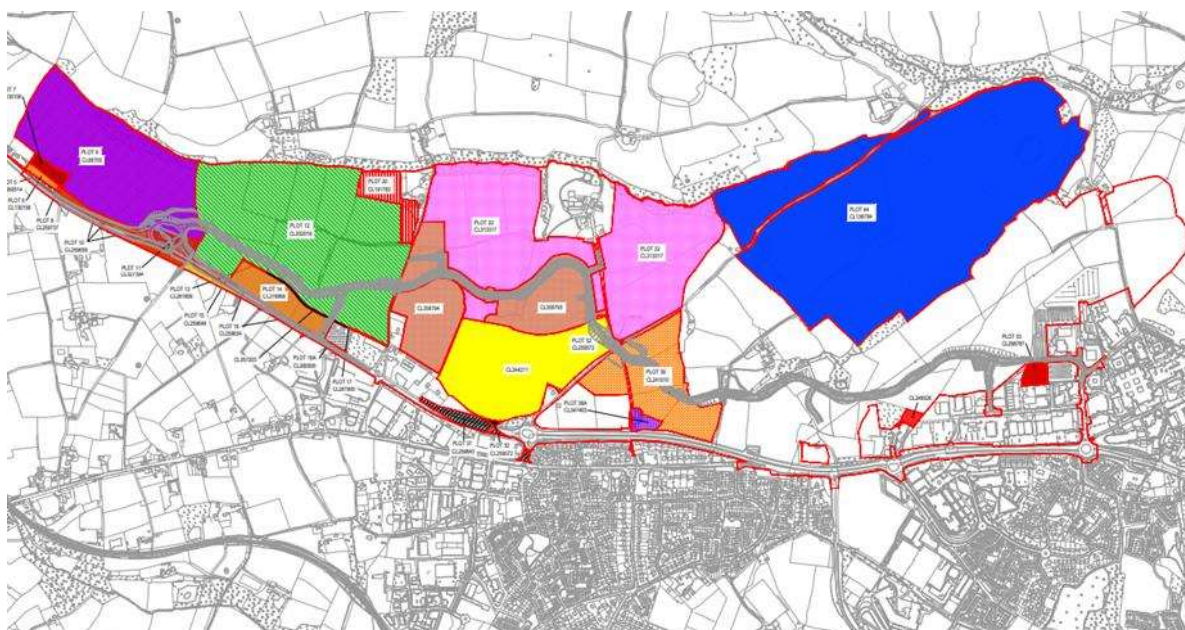
- 3.3.1. The following land has been acquired by Cornwall Council for the delivery of LGV:
- March 2020 – West Langarth & Langarth Farm 1 & 2 (including stadium land, park and ride extension land, land for NAR through Langarth farm 3,4 & 5, Biondi Field and Pollards Field)
  - November 2020 – East Langarth
  - November 2020 – West Langarth Farm, Penstraze
  - November 2020 – The Willows
  - April 2021 – Governs Farm

- July 2021 – Langarth Farm 3, 4 & 5

3.3.2. Figure 2 below shows the land in current Council/LGV ownership, which is currently estimated to deliver 2,600 homes.

3.3.3. It is envisaged that the majority of the third party owned land within the red line planning application boundary will remain in third party ownership. The scope of an LLP will include coordination and collaboration with third parties to ensure as much as possible the vision and design principles are achieved across the wider site including third party owned land.

**Figure 2 Cornwall Council Land Ownership**



## 4. The Market

- 4.1.1. In the first quarter of 2022, a report was produced that focussed on the state of the available market for LGV. This was based on interviewing seven well known developers and housebuilders, ranging from national to locally based organisations. All parties were interested in investing into LGV be it as a master developer or housebuilder and working with the Council to realise delivery of the project.
- 4.1.2. All parties recognise and support the Council’s aspirations around place making and stewardship as included in the masterplan and outline element of the hybrid planning application; the benefit of this approach drives values and placemaking premiums over the long term for housebuilders.
- 4.1.3. All parties acknowledged the objectives of local employment, skills, training and supply chain development. All were familiar in different environments of working to these objectives and the aspirations of Cornwall would not concern them.
- 4.1.4. Cornwall Council commenced with the acquisition of land at Langarth in March 2020 (following years of negotiations), just as the COVID 19 pandemic started to heavily impact the UK. Acquisitions of large tranches of land continued through 2020 and 2021. Average house prices (£314k) are now 10 times the average earnings (£31k) at the time of producing this report (Calculated through data from Plum Plot (2022)).
- 4.1.5. This growth bolsters the viability of the garden village whilst also accentuating the need for affordable housing to be delivered within Cornwall.

**Figure 4 Average House Price for Cornwall (Land Registry, 2022)**



## 5. Strategy for the Special Purpose Vehicle

- 5.1.1. Cornwall Council would be responsible for setting up the Special Purpose Vehicle ('SPV'), this will take the form of an LLP as discussed further below.

### 5.2. Options reviewed

- 5.2.1. Cornwall Council has experience in setting up SPVs. The most recent example was the creation of Treveth Holdings LLP in 2019, set up to be the delivery vehicle for the Council's Investment Programme (IP) and Housing Development Programme (HDP). The Business Case including option appraisal prepared for the setup of Treveth Holdings LLP has informed a decision to adopt a similar approach for an LGV SPV.

- 5.2.2. The exercise undertaken for the set-up of Treveth reviewed a range of options summarised below:

- Option 1: Council to establish a vehicle to deliver through a Company Limited by Shares
- **Option 2: Council to establish a vehicle to deliver in Partnership through a Limited Liability Partnership**
- Option 3: Council to deliver the proposed activities in-house.

- 5.2.3. The LLP vs CLS option was tested again by specific legal and tax advice commissioned for the LGV Delivery Vehicle, which concluded that the LLP setup would also be the preferred option for LGV SPV.

### 5.3. Legal Form

- 5.3.1. Legal advice was commissioned over Q3 2022 and is summarised as per below.
- 5.3.2. The Council will form LGV Limited Liability Partnership ("the LLP") to act as the master developer for the Project in accordance with this Strategy and the agreements it has with the Council.
- 5.3.3. As the master developer, the LLP will take responsibility for obtaining any Reserved Matters planning permission (where necessary) and other consents and for delivering the infrastructure (e.g., social infrastructure, utilities, and transport infrastructure) for the project. The LLP will also carry out feasibility studies to determine market need.
- 5.3.4. The LLP will market fully serviced land parcels to housebuilders and commercial developers, facilitating the creation of high-quality places. The LLP (through subsidiaries) will have a continuing role in the development of the project.
- 5.3.5. Finally, the LLP will be responsible for creating value for its owners in the way it facilitates the development of the project and its long term stewardship plan (see section 8 for more detail).

## 5.4. Roles and Commercial Strategy

### 5.4.1. The LLP will undertake and ensure on Cornwall Council's behalf:

- Be the planning applicant for the project delivery.
- If appropriate, act as the manager of the community infrastructure created as part of the project.
- Lead and coordinate development activity at the project site, potentially via subsidiary vehicles.
- Where appropriate, facilitate partnership development arrangements to bring forward housing and employment opportunities at the project site, including joint ventures with other organisations.
- Where appropriate, hold and manage residential, commercial, agricultural and/or industrial land and buildings at the project site in advance of, during and following project delivery (as applicable).
- Lead and coordinate the delivery of such infrastructure works as are necessary as part of project delivery.
- Commission any necessary professional services relating to either the Council's objectives for the project and/or the business objectives of the Delivery Vehicle.
- Carry out such trading activities as will be identified in the Delivery Vehicle's Business Plan (which will be subject to periodic update/review/approval).

### 5.4.2. Cornwall Council will retain control over:

- Regulation;
- Land assembly (including use of compulsory purchase powers where appropriate)
- Strategic Planning & Transport; and
- Finance & Legal.

### 5.4.3. The core principles that underpin the commercial strategy are laid out below:

- Control and Flexibility - future proof the vehicles used for developing the Project;
- Commercial agility - efficient method of reviewing and delegated authority;
- Phased Approach – maintaining a steady income on investments for CC; and
- Critical Infrastructure First – utilities, drainage, roads, transport and schools.
- Recovery of investment:
  - CC to recover costs on capital investments
  - Peak Debt - to remain below a defined limit
  - Other investment - other sources to be explored throughout the delivery phase
- Profit/ Costs - the programme to be cost neutral, balancing over time
- No further Land Acquisition (aside to CPO) unless in exceptional circumstances
- Tax - VAT will be opted to on land
- Sustainability and Energy - Zero-Carbon and 20% Bio-diversity net-gain targeted
- Mixture of Tenures - to ensure a diverse community and meet the needs of locals
  - To include 35% affordable housing
- Long-term stewardship principles - should feed into the commercial strategy

## 6. Financial Considerations

### 6.1. Financial Background and Delivery Structure

- 6.1.1. The Council has been acting as the master developer on the Langarth Garden Village project since its inception. To support this the Council has approved revenue and capital budgets which are funded as set out in the table below:

**Figure 5 – Langarth Garden Village Current Approved Budgets**

	Capital £m	Revenue £m	Total £m
Prudential Borrowing	109.265	0.000	109.265
External Grant	48.197	0.000	48.197
Council Reserves	7.244	1.356	8.600
<b>Total Budget</b>	<b>164.706</b>	<b>1.356</b>	<b>166.062</b>

As at 31/8/2022 :

Actual Spend is     £95.868m

Total Committed   £150.965m

- 6.1.2. The current approvals also include the approved delegation that the programme can increase as it rolls out and land/plot begin to be disposed of. The current strategy is that the Council has approved a peak debt of £109m with the target that this is eventually fully repaid including the cost of servicing over the period of development. The cost of servicing the £109m peak debt will be c£5m per annum whilst it is at or around the peak, this may be for a number of years and this cost is budgeted for within the Councils Capital Financing Budget.
- 6.1.3. The Council to date has worked to get the land assembled for the Langarth Garden Village for both the housing development and the public infrastructure, develop the design for the Northern Access Road, agree the development design framework and get the relevant planning permission required at this stage. The next stage is to deliver the public infrastructure and look to start the process of disposing of some of the development land/plots to house builders. With this move to the next phase it is also the right time to review on what is the best delivery model for this phase of activity.
- 6.1.4. The Council acting as master developer would be subject to restrictions due to standard local government accounting policies and the strict split of revenue and capital as well as the Council's partial exemption status on VAT. In reality the Local Government code for accounting and the special VAT status granted to Local Authorities is based on a Council delivering the traditional public services to the residents in its geographical area, it is not structured to support the Council acting as major master developer on a new garden village delivering 2,500+ houses.
- 6.1.5. Therefore, the delivery structure now needs to change with the public infrastructure i.e., NAR and School staying with the Council to deliver as this is traditional Council activity and the completed assets will remain within the public sector. The development land i.e., the land for building houses on will transfer to a Council owned entity. The entity will be able to better facilitate the structured disposal of the development land and the accounting will be the same as a private sector developer and not be fettered by the inappropriate Local Government accounting framework.

- 6.1.6. As set out earlier in the report the type of entity that will be used is a LLP structure, this is the same as the current structure of Treveth and the Langarth LLP will sit alongside the Treveth structures.

## 6.2. Financial Implications

- 6.2.1. The financial model assumes that the landowner (Cornwall Council), working with the LLP who will be acting as Master Developer, will invest in the delivery of the infrastructure and enabling works. The resultant serviced land parcels will then be sold to house builders.
- 6.2.2. The land that is within the ownership of the Council currently will need to be split between the land that is required to build the Public Infrastructure on and the land that will become the development land and will transfer to the new LLP.
- 6.2.3. The transfer of the land to the LLP will need to be compliant with subsidy control rules and the Council's statutory requirements in relation to the disposal of land held for planning purposes.
- 6.2.4. As the entity proposed is an LLP the entity will need to be capitalised/funded from loans as equity is only relevant to share companies. Therefore, to enable it to "buy" the land from the Council the entity will need to be capitalised through a significant borrowing from the Council. The borrowing will form two elements and will use a similar to the model used for Treveth, these are:
- the borrowing required to purchase the land will be a term loan secured against the value of the land and be treated as capital expenditure in the Council's accounts. This will be based on an annuity loan with annual principal and interest repayments. It is envisaged that the land will be broken down into parcels and transferred in phases in line with the phasing plans. The phasing will ensure a more manageable level of debt for the LLP.
  - the borrowing required to provide cashflow to finance the LLP operations and to initially provide funding to service the term loan will be an unsecured revolving cash flow (RCF) loan which will be treated as a Treasury investment. The LLP will not have a source of revenue in the early days but when it starts to dispose of development land this will allow it to generate revenue that can repay the RCF and be used to service the term loan.

If the loan is structured on a capital basis this should enable CC borrowings to be readily utilised.

- 6.2.5. The LLP will not have regular source of revenue as its revenue will come from periodic land/plot disposals it may not be able to either pay the interest on the RCF and may need to roll up the interest.
- 6.2.6. Although the Council will have to treat the term loan as capital which will require funding there is no overall increase in resources as the disposal of land to the LLP will generate a capital receipt equal to the term loan. The capital receipt will in theory paydown part of the existing Council borrowing for Langarth hence reducing the Council capital financing requirement but will immediately be replaced by "new" borrowing to fund the loan to the LLP.



- 6.2.7. By paying down part of the original Langarth borrowing there will be a saving in the Councils capital financing budget in relation to MRP and interest. The new loan will be serviced by income from the new LLP which after an initial short period which will require a RCF loan will be done from the sale proceeds arising from the disposal of development land.

### 6.3. Viability

- 6.3.1. The key method of creating income and ensuring delivery of the scheme at Langarth is through the sale of serviced parcels of land to third parties including developers.
- 6.3.2. Current modelling suggests that over approximately 25 years, the land under Cornwall Council's ownership will deliver housing (approximately 2,600 units) through a phased approach to assist viability and reduce peak debt and with a view providing a long term return to the Council.
- 6.3.3. Funding requirements are currently designed to be sourced through Council channels (including Homes England funding) and Section 106 monies raised from developer contributions within the Garden Village, including LGV's own contributions where the LLP will deliver schemes.
- 6.3.4. LGV is also intended to create income streams through its investments. For instance, income can be generated over time from the third-party connections to the power infrastructure (via rebate payments).

### 6.4. Place Making Premium

- 6.4.1. 'Place Making' is the term used to describe the way in which properties appreciate in value over time as they are delivered into a well-developed Garden Village, with the necessary social and physical infrastructure in place to allow new residents to enjoy more benefits than those that move in during the earlier years of the development. A 'Place Making Premium' of 1.28% per annum has been applied to the financial model. The perception is that a 1.28% premium appreciating annually is conservative in nature and therefore greater returns might be expected if the quality of the development is delivered as planned.
- 6.4.2. It is expected that placemaking investment will take place early on with revenue to follow in later phases. A conservative assumption has been made that non-residential land currently creates no land value. This is hoped to be subject to a positive revision as plans develop.

### 6.5. Section 106 Contributions

- 6.5.1. The model assumes that there will be a split in how Section 106 (S106) contributions will be paid between the Master Developer and housebuilders etc. The latest projections forecast that £44,010,000 will be paid throughout the life of the development. There could be a reduction of £7,500,000 should there be a better than forecast uptake of the sustainable transport systems that are to be provided, although that seems unlikely currently based on the expectations within the transport model.

- 6.5.2. Of the £44,010,000 it is expected that the Master Developer will expend approximately £32,500,000 initially (with £7,500,000 of that being recovered from Developers following completion of the current anticipated phase 1), taking the final exposure to £25,000,000. Developers are forecast to make S106 contributions of approximately £19,000,000 throughout the life of the scheme, between the remaining phases, all of which will be recovered via land sales.

#### 6.6. Cornwall Council Funding Allocations

- 6.6.1. Cornwall Council's Cabinet approved a spending allocation of £159.047m Capital and £7.627m Revenue. The £159m included £47.5m HIF Grant funding from Homes England.
- 6.6.2. In order to deliver the Garden Village, and ensure a return on investment, the peak debt limit will need to be kept under review in line with the scheme viability to account for market variables and conditions and taking into account an appropriate phased approach to delivery.

## 7. Delivery of Housing and Infrastructure at LGV

### 7.1. Phasing

- 7.1.1. A Phasing Parameter Plan (Ref LAN\_02.1-AHR-MP-ZZ-DR-A-93-005\_Phasing\_P13) and associated land use schedule showing proposed areas and numbers for development within each phase was approved as part of the planning consent.
- 7.1.2. The LLP would be responsible for monitoring and managing the phasing plan and schedule in cooperation with the Local Planning Authority (LPA), so that conditions and S106 obligations can be monitored and Cornwall Council has up to date information on development progress.
- 7.1.3. There are current revisions to the phasing emerging due to detailed work on viability, utilities and infrastructure delivery. The LLP would take on responsibility to manage the phasing in relation to viability and programme. The phasing and borrowing are under current review and will evolved and updated as part of the business and viability assessment for the LLP.

### 7.2. Development programme

- 7.2.1. The expectation is that the housing market local to Truro will absorb approximately 150 units per year throughout the lifetime of the scheme. With 35% of those being affordable units that would leave approx. 100 private sales per annum.
- 7.2.2. With 3,800 units to be delivered in all, although only 2,600 of those on Cornwall Council's land, it will take 25 years to complete the scheme. The LGV LLP will work with neighbouring developers that exist within the red line boundary to ensure a strategic release of land and property into the open market.
- 7.2.3. The current development programme envisages housing construction to commence in Q3 2023 with a view to achieve first occupation in Q2 2024. The opening of the first primary school is currently envisaged for September 2025.
- 7.2.4. The LLP will manage, and be accountable for, the programme in relation to phasing, viability, risks, and S106 obligations.

### 7.3. Affordable Housing

- 7.3.1. As Cornwall Council's planning policy dictates, the plan is for 35% of the homes to be affordable homes. The Local Plan Policy 8 sets a broad requirement for 70% of the affordable housing to be provided as affordable rented or social rent through an approved Residential Provider (RP) or Cornwall Council. The remaining 30% will be provided as multiple types of intermediate units which includes Shared Ownership through an approved RP or Cornwall Council.
- 7.3.2. The expectation is that affordable housing will be delivered consistently within each residential phase of development throughout the life of the development programme.

## 7.4. Social Infrastructure

7.4.1. The project delivers a significant level of social infrastructure including new schools and community centres. These are to be provided in line with the anticipated needs as projected in line with the population growth forecasts.

7.4.2. LGV will provide a new sustainable community in Cornwall, which is resilient, adaptable and fit for future living. A place with a wide range of homes to suit everyone and jobs for all age groups, with schools and health facilities and a real variety of public spaces, including village centres, parks, allotments, woodland, and play and leisure areas, as per the vision set out above.

### 7.4.3. Education

7.4.3.1. The development of the first primary school will be delivered early in the scheme. It is envisaged to be open in 2025. The development of the second school will be dependent upon the rate of development and growth in pupil numbers.

7.4.3.2. The aim is to ensure that it is provided to ensure Langarth meets its own needs but the trigger for that cannot be anticipated exactly at this time. The first school has a bigger capacity of students (3FE) therefore can cope with more students; the second school will only be needed when later phases are completed.

### 7.4.4. Social Infrastructure Delivery Team

7.4.4.1. As two distinct elements of social infrastructure, there will be multiple agents and stakeholder required to deliver these. The delivery of the school will be led by the Council through Capital Projects team. The Community Centre / Mobility Hub will be delivered by Langarth Garden Village LLP.

## 7.5. Green Infrastructure

7.5.1. The Garden Village comprises 48% green space (excluding gardens) and so the expectation is that accessible green spaces will be provided as plots and phases are delivered.

7.5.2. The only exception to this plan for steady delivery is the Governs Park (which also is classed as Suitable Alternative Natural Greenspace (SANG) – Schedule 10 in S106) which is planned for delivery during Phase 1 of the scheme. Early delivery of the SANG is conditioned within the hybrid planning permission for the scheme, and, should it be delivered on time, it will reduce the liability of the Garden Village for payments towards the Penhale Dunes Special Area of Conservation ('SAC').

## 7.6. Integrated Transport

7.6.1. Transport elements within, and external to but reliant upon, the Garden Village are coordinated to be delivered in phases as they are required.

7.6.2. A key target of the transport strategy is to create a modal shift towards the use of public transport in order for local residents to travel into and around Truro. Indeed, the hybrid planning permission requires that there is a modal shift in vehicle

movements and if there isn't then LGV will pay increased S106 commitments in order to mitigate traffic.

7.6.3. The following projects are included within the phase 1 transport interventions:

- New bus route (New residents will receive discounted annual ticket)
- Fordh Langarth (Homes England funded primary road)
- New cycle ways
- Electric bike charging points
- Electric vehicle charging points with every home
- Pedestrian, cyclist and equestrian crossings across A390

### 7.7. Fordh Langarth (Northern Access Road)

7.7.1. The Housing Infrastructure Fund ('HIF') a central government capital grant programme for new physical infrastructure unlocks sites in the areas of greatest housing demand and helps to deliver new homes in England. The funding stream is designed to help local authorities achieve large scale growth. The funding is used to forward-fund infrastructure schemes and represents a significant proportion of the upfront development costs.

7.7.2. Cornwall Council has received £47.5m of HIF grant funding to build the Fordh Langarth.

## 7.8. Technical Infrastructure

7.8.1. The key elements of Technical Infrastructure and their delivery strategy is as follows:

Electrical Power	The new Energy Centre acts as the local distribution hub for the garden villages power.
Sewerage	South West Water (SWW) are contracted to deliver a new pumping main and gravity trunk sewer to the site. Individual collector sewers that connect to the gravity sewer will then be delivered as each phase requires.
Telecommunications	BT Openreach are due to be utilised in order to deliver a fibre connection to each residence in Langarth.
Water	South West Water are going to provide water to the site on a phase by phase basis.
District Heating	The scheme is planning for district heating to be provided to each residence within the Garden Village. The heat source supplying LGV may be either the deep geothermal scheme that is being considered at United Downs (approx. 5km from LGV) or a local heat generation scheme.
Photovoltaic Cells ('PV')	The strategy is LGV (in conjunction with Energy companies) will require Developers to deliver PV cells on every rooftop, and the park and ride extension will also include some PV cells in order to generate up to 17.5 MB of Photovoltaic energy overall.
Drainage (Sustainable Urban Drainage solutions - SUDs)	A site wide SUDS model has been produced in order to satisfy the requirements of the masterplan planning application. LGV as Master Developer is planning to provide the 'strategic' SUDS requirements which includes dealing with the Fordh Langarth and secondary highways drainage.

## 8. Asset Management and Monitoring

- 8.1.1. Once assets have been created these will have to be managed for the long-term benefits of LGV to ultimately realise the vision. It is envisaged that the LLP will be responsible for establishing appropriate asset management mechanisms in consultation with and input from Cornwall Council.
- 8.1.2. Asset management will be underpinned by monitoring in relation to that required through the planning and S106 obligations and in relation to benefits realisation. The draft Benefits Realisation Strategy requires finalising and agreeing with the Council, under the lead of the master developer.
- 8.1.3. Both key aspects – long-term stewardship and monitoring – are discussed further below.

### 8.2. Long-term Stewardship

- 8.2.1. Garden Communities principles advocate for an engaged, involved and empowered community who can plan ahead collectively for the benefit of the community, providing long-term stewardship of community-owned assets.
- 8.2.2. Although Cornwall Council already manages assets through several organisations, it has been assessed that none of these will be suitable to solely oversee the management of Langarth's assets for the benefit of the community. A Stewardship Organisation is therefore needed to enable the community management of Langarth Garden Village.
- 8.2.3. It has been proposed that an overarching community Stewardship Organisation will be set up for Langarth by the time the new residents move in. It's likely purpose will be to manage and maintain:
- The land (green infrastructure/public realm)
  - Facilities and assets (community hubs & libraries)
  - Services (services/community governance)
- 8.2.4. These assets and facilities will be under the control of a Stewardship Organisation in perpetuity to ensure that Langarth Garden Village adheres to the agreed design principles.
- 8.2.5. The approach to stewardship needs to have a clear direction of travel but also be flexible and iterative to ensure it can adapt over time. This is important so it can be agile and responsive to any future conditions and major changes in policy or practice while still upholding Langarth's design principles.
- 8.2.6. In 2020, Cornwall Council approved the Langarth Stewardship Strategic Outline Case (SOC) which identified a long-list of potential legal structures for a Stewardship Organisation and from that long- list, recommended a short-list to be further considered at Outline Business Case (OBC) stage.

8.2.7. The short-list of options taken forward to OBC stage were:

1. Company Limited by Guarantee (CLG)
2. Company Limited by Shares (CLS)
3. Community Interest Company (CIC)
4. Community Benefit Society (CBS)
5. Third party organisations

8.2.8. The Outline Business Case (OBC) revisits the shortlist of options identified in the Strategic Outline Case (SOC) for the organisational structure that will oversee the future stewardship and neighbourhood management arrangements for Langarth Garden Village. It considers the Strategic and Economic cases and sets out the Commercial, Financial and Management delivery strategy.

8.2.9. Drafting of the OBC was started in 2021 and following a period of validation over the Summer of 2022, it has been refreshed to include revisions to reflect the most up to date position and opportunities. The OBC is expected to come forward for consideration by Cornwall Council Cabinet in February 2023.

8.2.10. The emerging recommendations in the OBC are that the Langarth Stewardship Organisation is set up as a Company Limited by Guarantee, that:

- Fulfils the overarching aims of stewardship (as recognised by the Town & Country Planning Association);
- Is governed by a Board of Directors;
- Has Members;
- Has a central staff team;
- Can procure suitable suppliers, including the ability to appoint a third-party management company, as required; and
- Is funded through the identified sources of income.

8.2.11. The funding mechanisms for the Stewardship Organisation are listed as the following sources of income:

- S106 cash amount;
- S106 deficit grant;
- S106 (Developer-funded) and/or Council-funded endowment;
- Resident and Commercial space services charges;
- Possible proportion of CIL revenue; and
- Income from community facilities.

8.2.12. The 25-year forecast of financial implications focuses on core costs and income streams that will enable the Stewardship Organisation to:

- Set up and establish the organisation
- Undertake maintenance and management operations, and
- Overarching governance activities



- 8.2.13. It also demonstrates that additional resources will be required through an endowment. The strategy for how this will be achieved and a more detailed financial model, will be established at the Full Business Case (FBC) stage.
- 8.2.14. The validation process sought input from the Langarth Client Board, Cornwall Council's Finance & Commercial Committee, discussions with Councillors and officers as well as external organisations. Through these discussions, comparisons were explored between the Stewardship Organisation being a:
- Company Limited by Guarantee (Traditional Model)
  - Third-Party Management Company (Third Party)
  - Company Limited by Guarantee plus a third-party management company (Hybrid Model)
- 8.2.15. To understand potential financial benefits, a high-level financial model was run. By considering the Hybrid Model, the financial model indicates that the break-even point could be reached in 14 years (as opposed to 19 for the Traditional Model) and the anticipated deficit would be around £1.5m (as opposed to £2.1m for the Traditional Model. This is detailed further in the full OBC report which will be presented to Cabinet in February 2023.
- 8.2.16. The Langarth Stewardship organisation will therefore be a locally led body which is established to be the custodian of community assets and facilities. It will manage and maintain these assets in perpetuity for the continued benefit and enjoyment of people living, working, studying, playing or visiting Langarth.
- 8.2.17. It will be supported by and work alongside other community stakeholders and have a clear financial plan which means that its costs can be covered by revenue generated via a local service charge and from a suite of other revenue generating assets which it manages. This will ensure that it has the resources it needs to effectively and efficiently manage and maintain the community assets and facilities within Langarth. It will have the flexibilities to be able to partner with and employ other delivery organisations and contractors on its behalf to undertake management and maintenance operations within Langarth.
- 8.2.18. The Langarth Stewardship organisation will be set up with the purpose of protecting the future of Langarth's open spaces, community assets and facilities as well as upholding the design principles. Local community stakeholders will have an important role in the organisation's operations and decision making to ensure all decisions are the best ones for Langarth both now and in the future.



What is being assessed?

Langarth Garden Village Delivery Strategy

Is your wheel for an overarching programme, strategy or policy?

No

Directorate - EGD

Service - Planning & Development

Name of Officer completing assessment

Chloe Hillson

What are the aims, objectives, outcomes?

Langarth Garden Village is a major development to the West of Truro and North of Threemilestone aimed at providing a new comprehensively planned community for between 8,000- 10,000 residents. Outline Planning permission for the development was approved at planning committee in December 2021. Link to decision follows:

<https://planning.cornwall.gov.uk/online-applications/applicationDetails.do?keyVal=QJAI93FG1X300&activeTab=summary>

As presented at the cabinet meeting of 4th of November 2020, the Langarth Garden Village Sustainability Wheel has already been considered and approved. Please visit the following link to view details:

<https://democracy.cornwall.gov.uk/documents/s140074/Langarth%20Garden%20Village%20Three%20milestone%20-%20Report%20-%20Part%201.pdf>

For this particular decision, we are proposing no changes to the previously agreed decision wheel. We are seeking approval to continue with the setting up of a new organisation that will be responsible for the delivery of the previously agreed plans. The LGV team (currently being lead by Treveth) is continuing to receive legal advice around the exact organisation form that is required. The current thinking is that a special purpose vehicle (SPV) is set up or a limited liability partnership (LLP).

The questions being asked on the decision wheel are not relevant to the decision being sought (agreement of the organisational form that the Langarth Garden Village scheme may take) and therefore we have stated no/ neutral impact for each of the questions.

Who implements or delivers the above?

Treveth Holdings acting as LGV LLP on behalf of CC.



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By virtue of paragraph(s) 3, 5 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

Exempt - Not for Publication



By virtue of paragraph(s) 3, 5 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

Exempt - Not for Publication





By virtue of paragraph(s) 3 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

Exempt - Not for Publication



## Appendix 6 – Business Case for LGV LLP

### 1. Background

- 1.1. As part of the delivery strategy for Langarth Garden Village (LGV), a special purpose vehicle is required to oversee the delivery of the programme. The LGV programme is moving into the delivery phase, with the next step being to set up a delivery vehicle in partnership with the Council's development partner, Treveth, to act as master developer.
- 1.2. The set-up of a new legal entity by the Council requires Cabinet approval to comply with Article 20 of the Council's constitution which deals with Governance Arrangements of Council Owned Entities. The ongoing governance of the entity will also be in accordance with Article 20 and the supporting Protocol for Governance Arrangements of Council Owned Entities.

### 2. Purpose

- 2.1. To act as master developer for Langarth Garden Village and oversee, guide and manage delivery of the Outline Planning Consent,
- 2.2. To ensure delivery of the vision and design principles as detailed in the planning consent including monitoring benefits and KPIs,
- 2.3. To support the sustainable growth and housing priorities of job creation, growth, and improved housing in line with the current Cornwall Council mission to start well, live well and age well, working towards a carbon neutral Cornwall, and
- 2.4. To generate a return to the Council to repay borrowing and any loan financing to the LGV Holdings LLP.

### 3. Legal structure

- 3.1. The recommendations within the Cabinet paper are for a Teckal compliant, limited liability partnership to be set up with Cornwall Council and Treveth Holdings LLP as partners. Cornwall Council will hold primary control and rights to the majority share of the profits (98% or more) and Treveth Holdings LLP will be the minority partner.
- 3.2. The entity, to be known as Langarth Garden Village (LGV) Holding LLP, will sit outside the current group structure of the Treveth Group and have a separate governing board, which will report into the Treveth Owners' Board for matters of ownership and into the Programme Board for matters of operational performance.
- 3.3. The LGV LLP will need to undertake commercial activities as part of its function. Using a limited liability partnership as the chosen type of legal entity has the following benefits:
  - 3.3.1. To ringfence the Council against risk and ensure that third parties e.g. contractors, purchasers, tenants, only have recourse against the special

purpose vehicle rather than permitting wider recourse against the full resources of the Council as Owner.

- 3.3.2. To provide the special purpose vehicle with a sufficient degree of autonomy to enable the vehicle to act quickly and respond to market opportunities in line with its business plan.
- 3.3.3. To allow the Council to comply with its statutory powers and enable effective delivery of the commercial elements of the Langarth Garden Village.
- 3.3.4. To provide a vehicle that allows the undertaking of commercial activity as part of the delivery of the Langarth Garden Village.
- 3.3.5. To provide broader and more flexible power to participate in contract, trading and investment activities.
- 3.3.6. To protect the Council from the effects of “right to buy” applying to housing developed by such vehicles.
- 3.3.7. The Council retains maximum control as the land owner and funder.
- 3.3.8. Where set up as a limited liability partnership, the special purpose vehicle will not be subject to Corporation Tax as each member pays tax on their share of the earnings. There is also SDLT relief available on the transfer of land between the Council and the LLP subject to specific rules. This means an LLP is significantly more tax efficient as an entity when compared to a limited company.

#### **Teckal status**

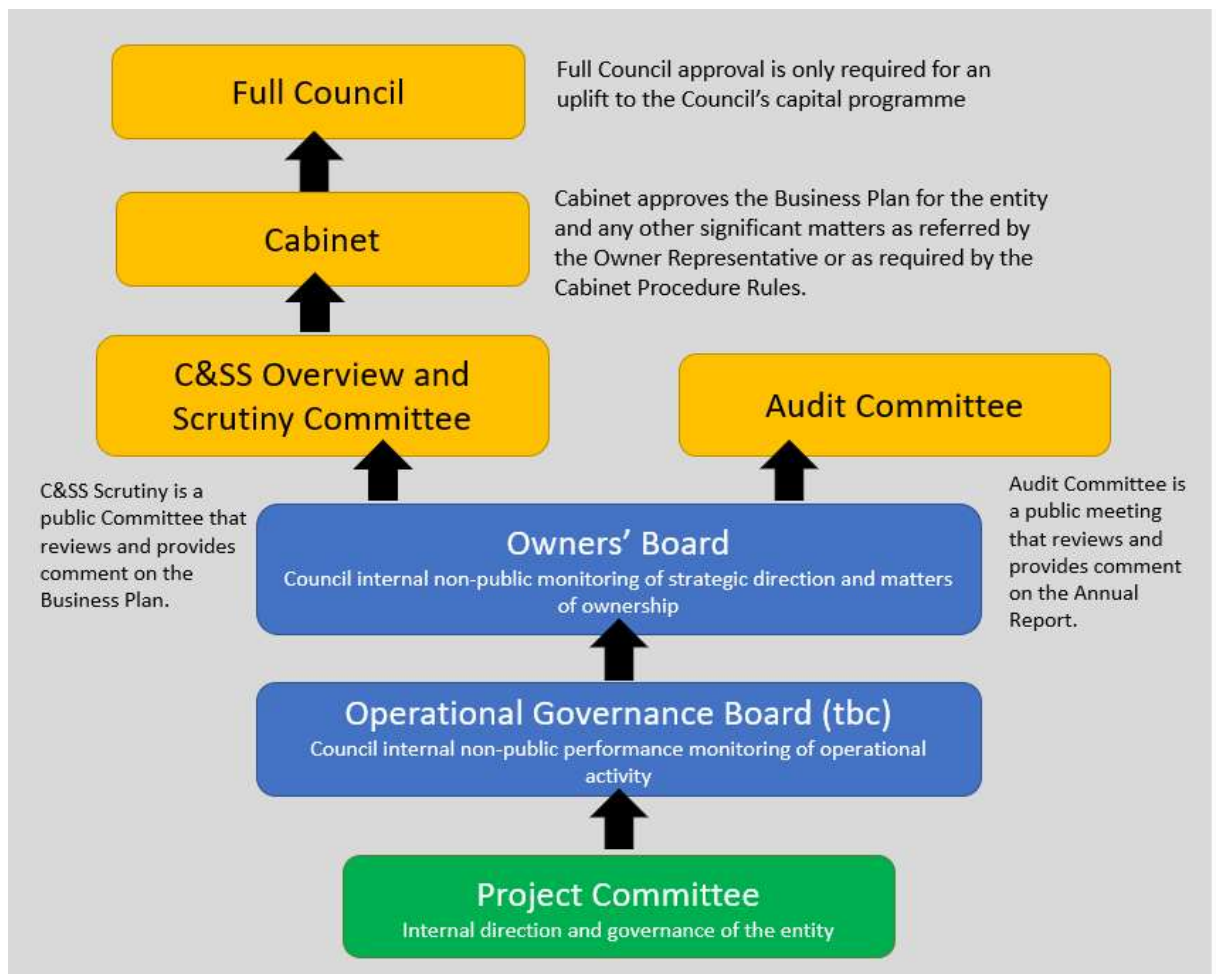
- 3.4. The entity will also benefit from Teckal status, meaning the Council can directly award contracts to the entity without undertaking a competitive procurement process. This saves both time and resources for the Council and the entity. In order to be considered Teckal compliant under Regulations 12 of the Public Contracts Regulations 2015 the following conditions must be met:
  - 3.4.1. The Council must control the vehicle and its activities in the same or a similar way as its own departments and activities (control test);
  - 3.4.2. The vehicle must undertake at least 80% of its work for its controlling Council or by other legal persons controlled by the Council any activity undertaken for external bodies is minimal (function test).
  - 3.4.3. There is no direct private capital participation in the vehicle with the exception of no controlling and non-blocking forms of private capital participation required by national legislative provisions, in conformity with the Treaty on the Functioning of the European Union which do not exert a decisive influence on the controlled legal person (this would mean that

Teckal status is not available for a joint venture with a 3rd party private sector party external to the Council and its Group of Companies).

- 3.4.4. The Council must have decisive influence and control over strategic objectives and significant decisions of the controlled legal person, or the control is exercised by another legal person which is itself controlled in the same by the contracting authority i.e. a holding company.
- 3.5. The new Procurement Bill, which will replace the Public Contract Regulations in late 2023 (at the earliest) is structured differently and refers to the same form of exemption as “vertical arrangements”. The Bill is being monitored as it passes through Parliament, but advice received so far on the implications for the Council’s existing LLP group indicate there will likely be no adverse impacts for the contracting activity of this new entity.

#### 4. Governance

- 4.1. LGV Holdings LLP will be subject to a similar system of governance as the Treveth Group but will sit outside of that structure. It will have a Project Committee, which functions in a similar way to the Board of Directors for a limited company, who provide internal decision-making and are responsible for running the entity.
- 4.2. The Project Committee will report into the Owners’ Board. The Owners’ Board is an internal Council governance board made up of Cabinet members and senior officers including the Chief Executive of the Council. This Board looks at the strategic direction and performance of the entity as a business and the benefit it is delivering to the Council as the majority Owner. The minority Owner is also represented on the Board.
- 4.3. Operational monitoring by the Council as the client, takes place at a separate forum and this level of governance will be reviewed once the creation of the entity and delivery strategy has been approved.
- 4.4. LGV Holdings LLP will need to produce a 4 year business plan each year, which is approved firstly by the internal Project Committee, and is then submitted to the Owners’ Board to review and approve. Once the Owners’ Board has approved the plan, it is received by Customer and Support Services Scrutiny Committee who provide comments and recommendations for when it is finally approved by Cabinet. The business planning is usually finally approved in March ahead of the new financial year.
- 4.5. LGV Holdings LLP will also produce an Annual Report for the Owner, which is reviewed by the Council’s Audit Committee, who provide comment ahead of the final approval by the Owner Representative. This report provides assurance to the Owner on the financial statements, governance, risk and internal control structures implemented within the entity.
- 4.6. A simplified diagram of the governance structure is below:



4.7.

4.8. The Council will nominate an Owner Representative to take decisions that are not required to be taken by Cabinet. This is usually the Chief Executive but could be the Chief Operating Officer, who has within their remit, the oversight of the council owned entities. The Owner Representative sits on the Owners' Board and has a key role in the governance of the entity.

4.9. Reserved matters are clauses within the Members' Agreement for the entity that require the entity to obtain permission from the Council as the majority Owner to carry out specific activities. These are high level permissions and are set as appropriate to the entity and the activity it delivers. There are some more general permissions however like materially varying the business plan or changing the structure of the governing board of the entity. Reserved matter consent requests are approved by the Owner Representative. The Owners' Board can review reserved matter consents to assist the Owner Representative in decision-making. The Owners' Representative can also refer these consents to Cabinet where it is felt they are of a significant enough nature.