

Report to:	Cabinet
Date:	22 March 2023
Title:	Langarth Stewardship
Portfolio Area:	Resources
Divisions Affected:	Threemilestone & Chacewater Gloweth, Malabar & Shortlanesend
Local Member(s) briefed:	Y
Relevant Scrutiny Committee: Customer & Support Services and Economic Growth & Development	
Authors, Roles and Contact Details:	Phil Mason, Strategic Director – Sustainable Growth and Development phil.mason@cornwall.gov.uk Louise Wood, Service Director – Planning and Housing Services louise.wood@cornwall.gov.uk
Approval and clearance obtained:	Y
Date next steps can be taken	2 April 2023
For Cabinet and delegated executive decisions only	
Key decision? (≥£500k in value or significant effect on communities in two or more electoral divisions)	Y
Published in advance on Cabinet Work Programme?	Y
Urgency Procedure(s) used if 'N' to Work Programme?	N

Exempt: Appendix 4 is not for publication by virtue of category 3 (Information relating to the financial or business affairs of any particular person).

Reason for exemption: Appendix 4 contains 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 Stewardship Organisation for Langarth Garden Village. The exempt information is included in Appendix 4.

Recommendations:

1. That up to £2m be allocated to cover the current forecast shortfall for the Stewardship organisation for the period before the organisation is self financing, this will be funded from the Langarth Garden Village LLP's (LGV LLP) gross profit generated from the sales of land, and that the Council notes that this will reduce the distributable returns made by LGV LLP and is factored into the overall viability model.
2. That the ongoing costs of maintaining relevant unadopted public realm, green and blue infrastructure as a minimum, as indicated in the Outline Business Case (OBC) as appended to this report, be funded through a charging mechanism to be levied by means of a service charge on residents of Langarth Garden Village.
3. That the key principles defined in the OBC be acknowledged and be endorsed for use, to inform the basis for Full Business Case (FBC) and Business Plan proposals to be developed, whilst retaining sufficient flexibility to evolve the principles in full consultation with Kenwyn Parish Council and Truro City Council, and using evidence gained through further engagement with other Garden Communities and Stewardship Organisations.
4. That authority be delegated to the Strategic Director for Sustainable Growth and Development, in consultation with the Portfolio Holder for Housing and Planning, the Portfolio Holder for Economy, the Portfolio Holder for Resources, the Section 151 Officer and the Monitoring Officer, to
 - a. act as the Strategic Client on behalf of the Council in engaging with Langarth Garden Village LLP on the setup of the Company, including making decisions on details required to be resolved to achieve the setup, and authorising resources including financial decisions to support work required to be undertaken for the FBC and Business Plan
 - b. subject to the consultation and engagement commitments in recommendation 3 above, to approve the FBC and Business Plan, including the decision on the legal structure, the relationship between the Langarth Garden Village LLP and the Stewardship Organisation (in particular, if it is a subsidiary or a standalone company), detailed governance arrangements and detailed finance and resource plans
 - c. make decisions as to the most appropriate arrangements for land transactions (including acquisitions and disposals (whether by transfer or lease) in to and out of the

Stewardship Organisation, having regard to appropriate phasing, as informed by further work to be undertaken as part of the FBC, including specific legal and tax advice.

1 Executive Summary

- 1.1 This Cabinet paper is about the stewardship of Langarth Garden Village as a new community. The purpose of this paper is to establish a framework for establishing a stewardship organisation. There are a number of technical issues to be considered but good stewardship is about much more than technical mechanisms. First and foremost, it is about creating space for the new community to paint its own story, and for that story to be woven with the past and future stories of Kenwyn (as the parish in which Langarth sits), and Truro (as the city it sits next to).
- 1.2 The Council is structuring our stewardship work for Langarth in accordance with what is known as the Government's Green Book methodology. This creates a sequence of documents in ascending order of detail. The Strategic Outline Case (SOC) that Cabinet considered in 2020 identified the need for a stewardship organisation, and key findings are included in Section 2 in this report. Further work has now been done to progress to Outline Business Case (OBC) stage, which is included at Appendix 2 for information. This will be used to guide further work to be undertaken at the third and final stage, the Full Business Case (FBC). This methodology is referenced throughout this report.
- 1.3 The planning consent for the Langarth Garden Village masterplan granted in April 2022 (PA20/09631) included a requirement that a "Business Case" for a stewardship organisation will be prepared in a timely way.
- 1.4 In developing proposals, we are using learning from other Garden communities, and the work of the Town and Country Planning Association, which tell us how important stewardship is for the future of such developments.
- 1.5 There is also a practical and commercial need to ensure that any onward transactions that crystallise before a stewardship organisation, or other governance arrangement, are established to provide for a framework that secures the ability for service charges to be levied to fund maintenance of any infrastructure that is not adopted.
- 1.6 Detailed governance mechanisms for the stewardship organisation will be identified at Full Business Case (FBC) stage, once a legal structure has been settled upon. Any governance mechanisms will need to define how an

appropriate balance of influence between Council, developer, stakeholder and community can be achieved and how it can be made flexible to allow for it to change over time. It also needs to allow for appropriate veto rights by the Council in particular in early stages, and for defined scenarios where a veto may be required in later stages. All these aspects will be fully explored and detailed at FBC stage, in liaison with future stakeholders in the organisation.

- 1.7 It is currently envisaged that the preparation of the FBC and Business Case will take place over the next 12 months if Cabinet resolves to endorse the recommendations in this report and, by doing so, paving the way to release further funding and resources to work up the detail required for setting up a stewardship organisation successfully.
- 1.8 A Truro City Council resolution is included in Section 5 and a commitment has been made to fully engage during preparation of the FBC and Business Case over the next year, to ensure that the requirements and needs of Kenwyn Parish Council and Truro City Council are fully considered. The stewardship organisation would not have to be in place until two to three years' time, when the first assets to manage are envisaged to come online (such as Govers Park), so that there is time to develop the stewardship organisation in a well-considered and sound manner.

2 Purpose of Report and Key Information

2.1 Purpose of Report

The purpose of this report is to:

- Create capacity funding to enable the stewardship organisation set up to be progressed, including undertaking the detailed work required to achieve this, and allow it to be functional through its early stages
(Recommendation 1)
- Provide authority for some specific mechanisms that are required to allow for necessary legal and commercial activity to progress in the meantime
(Recommendation 2)
- Affirm the process for engagement and community influence – during the work towards a stewardship organisation as well as during its operation
(Recommendation 3)
- Provide necessary delegations to move forward **(Recommendation 4)**
- Articulate and acknowledge the governance challenges arising and enable these to be discussed and resolved in the process of working towards the setup of the stewardship organisation

- Articulate and acknowledge the practical issues arising from future management of assets, such as landownership and lease mechanisms, interface between adopted and non-adopted assets, detailed scope, to enable these to be discussed and resolved in the process of working towards the setup of the stewardship organisation

2.2 **Rationale**

The story of what is now called Langarth Garden Village started almost 20 years ago. It emerged via the adopted principle that Truro was a focus of growth in the County and that growth in Truro should be focused to the west of the City, in Kenwyn. This was a result of the then County Structure Plan and the Carrick Local Development Framework. Along the journey since that time, the period from 2010 to 2016, saw the accumulation of speculative consents, then the incorporation of those consents into policy via the Local Plan and the Truro and Kenwyn Neighbourhood Development Plan.

- 2.3 From 2018, the Council has been actively pursuing an intervention with the aim of ensuring the development is coordinated, infrastructure is provided early, and that it happens in a way that gives the new community the best possible chance of forming its own sense of place whilst also integrating with the neighbouring settlement of Threemilestone, the adjoining city of Truro and the wider rural parts of Kenwyn.
- 2.4 The Council-led intervention to date has necessarily focussed on aspects to achieve planning consent and enable the project to move forward – masterplanning, land assembly, road and transport infrastructure (through planning, grant finding, and, latterly, starting work on site), preparing for education provision and so on. However, the programme has always acknowledged that thought also must be given to how public and community assets to be created would be managed or looked after in the future. It is also recognised that thought must be given as to how the Council can allow and support the new community to find its own identity, alongside exploration of what role local government at all levels would have in the way Langarth as a place will evolve.
- 2.5 These concepts are not unique to Langarth – every new community faces them - but the way they come together in our own case is unique to Langarth's own time and place (as for every other similar case in the country – there is no one size fits all approach). For Langarth in particular, the different perceptions of the roles and identity of parish and city are specific to the moment, and specific to Truro and Kenwyn.

2.6 Whilst the site is wholly located in Kenwyn Parish Council, the development will also affect the City of Truro and effectively form an extension to it. The different requirements arising from this for the Parish and the City Council need to be reflected appropriately in the governance mechanisms. Appropriate governance mechanisms will depend on the legal form that the stewardship organisation may take, and initial parameters and principles for governance have been identified in the OBC, including the need for flexibility and community representation. This will be developed further during FBC stage work.

2.7 **Background**

Cabinet considered the need for and concept of stewardship (particularly in the way it is articulated by the Town and Country Planning Association) in 2020. Stewardship is an integral part to the Garden Village principles, and, without it, long-term benefits are unlikely to be fully realised. This was discussed in the Strategic Outline Case (SOC) at that time. It was the first step in describing the issues and confirming the need to consider stewardship in the interest of good placemaking and building a successful and sustainable new community. That document identified the list of assets that should be reflected on, and a short list of technical governance arrangements that could be considered. There was a commitment to engage with the Parish, City and other stakeholders in the future shape of this work.

2.8 Key findings from the SOC can be summarised as follows (with the OBC and its recommendations now building on these):

2.9 There are three broad types of community assets that will require managing:

- Land (green infrastructure, public realm)
- Facilities and assets (community hubs and library facilities etc)
- Services (services and community governance).

2.10 The objective for the stewardship organisation is to manage and maintain the land, facilities, assets and services under its control in perpetuity to ensure that Langarth Garden Village adheres to the Design Principles through:

- Managing and maintaining its green infrastructure to ensure Langarth is a unique and bespoke place to live, within a performative landscape, and remains resilient to climate change.
- Managing and maintaining its public realm, cycle and walking routes, SUDS networks and un-adopted parts of the highway network to promote healthy and active lifestyles and ensure ease of movement and good connectivity.

- Ensuring that any facilities and property under its control are used to complement local communities, generate a strong sense of community, promote healthy and active lifestyles and enhance employment opportunities in the locality.
- Ensuring that the scope and activities of the organisation are applicable to all of the development area regardless of ownership, as well as all homes across the area regardless of tenure, to reflect the diversity of housing, create a strong sense of community and complement local communities.
- Ensuring that the organisation can last in perpetuity to provide a sustainable future for the management of the neighbourhood, and not be susceptible to changing external factors – this will include maximising internal self-generated renewable-energy sales and addressing fuel poverty through its Energy Service Company (ESCO).
- Ensuring that the organisation be a self-financing body; and includes resident involvement in decision-making to ensure the vision for Langarth is deliverable and generates a strong sense of community.

2.11 From a consideration of the longlist of options for a suitable model, a shortlist of options was identified as being the most suitable in meeting the requirements for Langarth:

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

2.12 The SOC has now been progressed to an Outline Business Case (OBC) as appended to this report. Rightly and properly, that articulates a further level of detail and provides a preferred option rooted in research of comparable cases across England, supported by legal advice too. However, local stakeholders believe that has progressed too far and too quickly. It is appended to this report for transparency and visibility but it is acknowledged that some stakeholders have differing views regarding its governance conclusions. The recommendations are drafted to acknowledge its role and use but provide for further dialogue to take the learning within it, acknowledging the good practice it reflects, whilst enabling us to explore and test it further with stakeholders.

2.13 The principles now outlined in the OBC, building on the SOC findings, provide a baseline for discussion. Full consultation and engagement through FBC stage will ensure that stakeholders can test the scope against their capabilities and expectations, to ensure the stewardship organisation will be fully

supported by all its stakeholders, and can draw on their existing expertise, for maximum success and benefit.

2.14 The principles identified in the OBC around a stewardship organisation are:

- a) Any arrangements should fulfil the overarching aims of stewardship (as recognised by the Town & County Planning Association) including:
 - i) A strategic mechanism that is long-term, stable, flexible, and financially viable
 - ii) An operational mechanism that enables officer governance requirements and oversight to be discharged effectively and effectively, but without slowing or getting in the way of delivery or community or parish aspirations
 - iii) A flexible commercial entity that can evolve to adapt to changing circumstances (a key lesson from case studies of stewardship)
 - iv) A structure that can subsist in perpetuity
- b) It will be set up by the Langarth Garden Village LLP (LGV LLP) (details to be confirmed – including any subsidiary arrangements), retaining sufficient Council influence to ensure that the direction of travel is as envisaged and works to preserve the vision as previously established by the Council (incorporating the views of the previous Langarth Stakeholder Group) through the relevant previous decisions indicated at section 4 below, including community involvement and monitoring of benefits.
- c) Its governance arrangements should allow for the appropriate level of input reflecting the Langarth Garden Village Vision, and the respective interests and capacities of the different parties who will be stakeholders in the development and management of the Garden Village and provide for these to vary over time. Such parties are anticipated to include the community stakeholders (including Truro City Council and Kenwyn Parish Council), developers, housing associations, businesses and residents.
- d) It is intended that safeguards are put in place, to ensure certain aspects cannot be progressed or changed without Cornwall Council's consent, particularly while the Council is the master-developer, for example, the organisation's articles of association that set out its governing objectives and honour Langarth's design principles are expected to state that the articles can't be changed without Cornwall Council's consent. Restrictions on altering the business plan could also require Cornwall Council consent. Other controls are being implemented by other means including through planning (such as S106 requirements and the Langarth design code etc), and through land covenants in the any transfer deeds.

- e) It should have central staff employee/s to provide local oversight, manage relationships and operational activities
 - f) It should be able to procure suitable suppliers, including the ability to appoint an experienced third-party management company as required to manage the stewardship scope and deliver services for the benefit of Langarth Garden Village and its wider community. Procurement will have to comply with legal provisions at the time, likely to include compliance with the forthcoming Procurement Bill.
 - g) It should be initially funded via the Langarth Garden Village LLP from revenue receipts and gross profit via land sales, prior to returning any net profits to the Council. This includes any shortfalls predicted currently up to year 14 / Phase 4 before the service charge benefits are fully available.
 - h) Funding in the long-term will be generated through revenue generating activities and a service charge, which will be the same across all of LGV, and which will include management of green and blue infrastructure in development parcels through lease and land transfer mechanisms agreed with developers at the point of initial land sale (to ensure quality standards across all of LGV).
 - i) If it is decided that the stewardship organisation should take on the responsibility of areas / services usually adopted/provided by the Council to ensure a consistent standard of maintenance and community cohesion, then the funding mechanisms will need to be sufficient to ensure these costs are covered.
- 2.15 Cornwall Council will retain an interest in the land in the long-term, through appropriate land transfer, covenant and / or long-term lease mechanisms to be agreed through Langarth LLP.
- 2.16 Any stewardship organisation should have a flexible governance structure that will allow the level of involvement of key stakeholders to vary over time. The currently anticipated nature of varying involvement between developers, community stakeholders and the Council is illustrated in Figure 1 below.

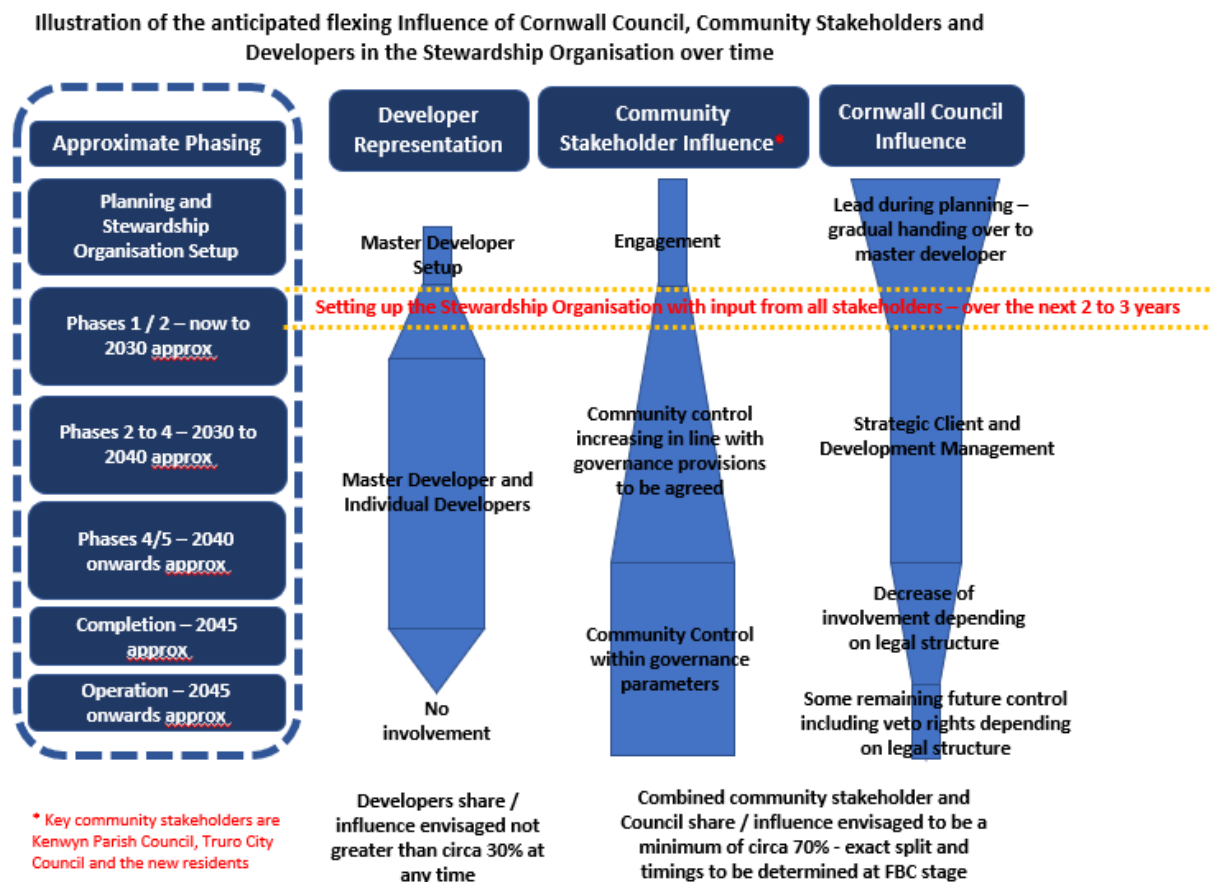


Figure 1: Illustration of anticipated flexible influence on stewardship during the course of the LGV Project

2.17 Going forward, once the stewardship organisation is set up, the ongoing engagement level involvement of community stakeholders can change to more direct involvement. Decisions on the exact level and nature of that involvement and associated governance mechanisms will be made over the next year during FBC work, as the organisation is not required to be in place for another two to three years, until assets to be managed come online (such as Govers Park). This will involve full consultation with KPC and TCC.

3 Benefits for Customers/Residents

3.1 The Langarth Garden Village and its stewardship are a living example of the tensions inherent in the concept of sustainable development, if that is defined as meeting the needs of current generations without impacting the ability of future generations to meet their own needs.

- 3.2 Langarth Garden Village has been planned with a series of design principles that aim to deliver benefits to existing and future residents of the area. The Langarth Garden Village development will deliver several non-financial benefits. These include:
- Making services more easily accessible for new and existing residents
 - Encouraging the improvement of residents' health
 - Enabling the Council to understand resident needs better
 - Increasing economic resilience and social sustainability
 - Retaining the uniqueness of the Cornish landscape
 - Promoting local talent through a variety of programmes
 - Creating a healthy and biodiverse natural environment
 - Creating a zero-carbon, sustainable environment
 - Enhancing employment opportunities in the locality
 - Providing the opportunity for people from diverse backgrounds to live at Langarth by providing high-quality housing of the right mix
 - Creating stronger local businesses
 - Creating a stronger local labour market
 - Providing links to the wider transport network
 - Providing cheaper and more sustainable energy
- 3.3 However, Langarth, at present, is being conceived and implemented in the absence of most of its future resident population. The concepts in this paper are trying to safeguard and protect that future community's ability to manage and influence its environment – whilst also safeguarding the nature of the existing parish and city in their recognised forms.
- 3.4 It is envisaged that overall responsibility for monitoring and benefits realisation will initially sit with the master developer, Langarth Garden Village LLP, once established, supported by Cornwall Council resource in the infancy, and with the Stewardship Organisation assisting the master developer, increasing its remit for monitoring and benefit realisation over time. As the Stewardship Organisation and Langarth Garden Village develop and mature, the master developer role for monitoring and benefits realisation will eventually dissipate, when responsibility will transfer to the Stewardship Organisation.
- 3.5 With the overall construction investment in the region of circa. £334m, the development is projected to generate a gross value added (GVA) of social and economic value in the region of £549m (conservatively) and £910m

(optimistically). This includes the impact of both direct and indirect economic benefits.

4 Relevant Previous Decisions

4.1 Cornwall Council has been proactively planning this new integrated community since January 2019, and a number of decisions are associated with bringing this scheme forward. Those most relevant to the stewardship organisation decision requested in this report are:

- Report to Cabinet on 4 November 2020 pursuant to which Cabinet resolved to endorse the Langarth Garden Village masterplan and approve the strategic outline case for a stewardship model for the Scheme <https://democracy.cornwall.gov.uk/mgAi.aspx?ID=88431>
- Report to Cabinet on 14 December 2022 pursuant to which Cabinet resolved to endorse the Delivery Strategy for Langarth Garden Village, including the setting up of a Special Purpose Vehicle and its purpose, and for that SPV to be in the form of an LLP. The LLP's remit includes responsibility for establishing appropriate asset management mechanisms in consultation with and input from Cornwall Council, which in turn includes long-term stewardship and monitoring. <https://democracy.cornwall.gov.uk/ieDecisionDetails.aspx?AllId=98948>

4.2 Following on from the November 2020 decision to endorse the stewardship SOC, the OBC appended to this report was developed to begin setting out principles for stewardship arrangements as a foundation for future FBC and Business Plan work.

4.3 The Stewardship Organisation scope is delineated by the development proposals as illustrated in Planning Consent PA20/09631 granted in April 2022.

4.4 The decision to endorse the Delivery Strategy and the associated setting up of the LGV LLP paved the way for the next step of looking at the stewardship arrangements as part of discharging responsibilities identified for the LLP as master developer.

4.5 This report builds on the above previous decisions and sets out the principles of a stewardship organisation to support development of 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 Through the development of the OBC between 2021 and 2022, consultation took place through engagement with the LGV Client Board, Finance and Commercial Board and Outcome Group. In addition, a series of one-to-one sessions with Councillors and Senior Officers of the Council were held.
- 5.2 The OBC was presented to the Cornwall Council Outcome Group in December 2022 to test the proposed principles before putting these forward for wider consultation and to Cabinet.
- 5.3 In January and February 2023, a series of one-to-one briefings and group sessions were arranged with Divisional Members, Kenwyn Parish Council (KPC), Truro City Council (TCC) and members of the Langarth Local Forum. These sessions were established to brief key community stakeholders on the progress, principles and content of the OBC, and seek their input ahead of the LGV Stewardship Organisation recommendations coming to Cabinet.
- 5.4 Key points raised by KPC and TCC to date relate to the level of involvement, the desire to be involved in shaping the scope and governance, the limited resources in KPC to allow them to deal with such a large scheme in their Parish effectively, the relationship of TCC with the new development (considering LGV is wholly within KPC, but affects TCC in many ways), the existing expertise of TCC which could and should inform the discussions, and the payment mechanisms. KPC and TCC, as well as the Divisional Members, have expressed the desire to be closely involved in shaping the detail of the stewardship organisation going forward from OBC. This report does not provide answers at this stage but sets out a commitment that the Council will fully engage with key stakeholders during preparation of the FBC to ensure buy-in from all parties and create space to discuss these points further. This will include looking at other Garden Communities and Stewardship Organisations and enabling a dialogue with them.
- 5.5 To this end, we have included the draft resolution considered by Truro City Council at their February meeting reflecting their current position and recommendations, and this report sets out commitment to undertake appropriate engagement and consultation to consider the points raised, enabling a meaningful dialogue between parties:

Truro City Council Draft Recommendations: LANGARTH GARDEN VILLAGE STEWARDSHIP

Further to a meeting held prior to this meeting of Council, at which Cornwall Council presented to both Truro City and Kenwyn Parish Councils, Members discussed Langarth, with comments that included the agreement that

boundaries were blurring between Truro and Kenwyn parishes due to development, and that the impact of Langarth on Truro would be significant. It was therefore important that both parishes had a voice in further considerations of the scheme as it was developed. Members also discussed how important it was that the two parish councils collaborated on responses to Langarth and worked together to provide the best outcome for all.

Further to Councillor Mrs Carlyon seeking clarification on how Treveth would charge residents for maintenance of the development, Councillor Harris CC, speaking with permission from the Chairman, confirmed it would not be Treveth charging, but rather an appointed stewardship organisation, in whatever form that would take following full consultation. As per discussions, this would not make a profit and any surplus would be for the benefit of the people the organisation was serving i.e., the residents.

It was therefore proposed by Councillor Roden, seconded by Councillor Pascoe and unanimously RECOMMENDED that

- 1) the Truro City Council position is that the starting point should be that local community services as far as practicable and expedient to do so should be provided by local councils and only where there are significant and substantial reasons to do otherwise should there be alternative provision.*
- 2) Truro City Council makes a formal request to the Leader of Cornwall Council and Cabinet portfolio holders that Truro City Council has a place on any board or body which will determine the structure and composition of LGVs stewardship organisation, and subsequently, in the event that the parish councils of Truro and Kenwyn are not responsible for stewardship matters, that the parishes have reserved representation on any body or organisation that is proposed, in whatever legal form that organisation eventually takes.*
- 3) Truro City Council requests a meeting with the cabinet portfolio holders for budget and policy formulation/Deputy Leader, Portfolio Holder for Economy, Neighbourhoods and Planning and Housing prior to any cabinet meeting to agree further work or consideration of stewardship arrangements for LGV with a view to reaching an agreement with Truro City and Kenwyn parish councils. In addition that Cornwall Council is requested to allocate funding to enable a full consultation process on the provision of stewardship arrangements for LGV and any initial costs in establishing a stewardship organisation.*
- 4) the City Council writes formally to Kenwyn Parish Council asking:

 - a) to meet with them to formulate a joint response to Cornwall Council on the LGV stewardship at the earliest opportunity.*
 - b) that the parish councils examine the scope for potential collaboration between Truro City Council and Kenwyn Parish Council on both the**

governance of the stewardship organisation and future provision of services to LGV. In formulating this view, advice should be taken regarding cultural consequences, risks, consequences and alternatives.

5) *Truro City Council requests Cornwall Council facilitates a meeting and dialogue, which is to be undertaken on a "member to member" basis with local councils and stewardship organisations in established and emerging Garden villages in other areas of the country."*

5.6 Kenwyn Parish Council is due to consider the above resolution at a meeting on 13 March 23 and has not at this stage provided a separate position statement. Whilst it will not be possible to incorporate further changes ahead of the report going to cabinet due to the final sign off deadline ahead of cabinet, the commitment to full consultation and engagement with KPC and TCC will allow for dialogue going forward, during FBC stage. This will include consideration of any agreed position and final resolution KPC and TCC may reach, and how this can be taken into account in shaping final stewardship proposals for LGV.

6 Financial Implications of the proposed course of action/decision

6.1 The financial model demonstrates Langarth Stewardship Company (with an appointed third-party management company) to be financially self-sustaining and profitable after the 14-year break-even point by the beginning of phase 4 in 2037/38 – which is in line with precedents set by other stewardship organisations (based on projected start of Phase One of Langarth's delivery in 2023/24.)

6.2 The table below summarises the Stewardship Organisation projected costs and revenue from 2023/24 to 2046/47 to deliver a net present value (NPV).

		Phase 1								Phase 2	Phase 3	Phase 4	Phase 5
		2023/24	2024/25	2025/26	2026/27	2027/28 - 31/32	2032/33 - 36/37	2037/38 - 41/42	2042/43 - 46/47				
		Year 1	Year 2	Year 3	Year 4	Years 5-9	Years 10-14	Years 15-19	Years 20-24				
NET CASHFLOW POSITION	INCOME	1 Land	£423	£818	£1,185	£1,395	£7,781	£54,791	£75,266	£64,709			
		2 Facilities and assets	£0	£0	£0	£0	£0	£0	£0	£0	£0		
		3 Unadopted highways	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a		
		4 Services and community governance	£11,069	£42,777	£92,759	£154,688	£1,103,656	£1,760,504	£2,128,024	£2,516,147			
		5 Contributions	tbc	tbc	tbc	tbc	tbc	tbc	tbc	tbc	tbc		
		6 Operations	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a		
		Income	£11,492	£43,595	£93,944	£156,083	£1,111,437	£1,815,296	£2,203,290	£2,580,855			
	COST	1 Land	(£171,914)	(£235,583)	(£294,123)	(£347,740)	(£529,689)	(£730,850)	(£807,003)	(£729,651)			
		2 Facilities and assets	£0	£0	£0	£0	£0	£0	£0	£0			
		3 Unadopted highways	(£24,557)	(£47,453)	(£68,772)	(£81,403)	(£352,845)	(£473,736)	(£568,921)	(£573,185)			
		4 Services and community governance	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a			
		5 Contributions	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a			
		6 Operations	£0	(£40,000)	(£139,560)	(£134,840)	(£380,470)	(£426,142)	(£462,666)	(£477,004)			
		Projected cost	(£196,471)	(£323,036)	(£502,455)	(£563,984)	(£1,263,004)	(£1,630,728)	(£1,838,590)	(£1,779,840)			
Net income (NPV)	(£184,979)	(£279,441)	(£408,511)	(£407,901)	(£151,567)	£184,568	£364,700	£801,015					

- 6.3 In the short-term, while Langarth is in the early stages of delivery until the stewardship organisation becomes self-funding, the organisation set-up and management will be funded through revenue receipts with any shortfalls (Currently projected to be up to £2m) funded from the Langarth LLP company from the gross profit via land sales. This will reduce the amount of net profit available to be distributed back to the Council and will need to be factored into the final Full Business Case and Business Plan including the proposed NPV and overall viability case.
- 6.4 Subject to future agreement by Cornwall Council, further strategic assets and/or cash lump sums in tranches could be required or may be considered beneficial to enable the stewardship organisation to:
- De-risk its operations;
 - Empower it to deliver on its Investment Objectives;
 - Provide strategic assets that have wider community benefit than for Langarth residents alone; and
 - Further assist in realising the vision for Langarth and a sustainable legacy for Cornwall.

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

- 7.1 The Council's purposes for delivering this scheme align with the delivery of housing and workspace for the fulfilment of the Local Plan and the regeneration of this important part of Truro but also ensuring that the scheme is commercially viable.
- 7.2 Delivery of this scheme must observe the Council's own governance arrangements and, where appropriate, a planning performance agreement should be entered into for the next stage of the planning process. The release of Reserved Matters must comply with the Council's established procedures.
- 7.3 During the planning of Langarth and Phase One of delivery, Arcadis has been appointed by Cornwall Council as its Framework consultant to manage the Langarth Garden Village development and its portfolio of projects. A Portfolio Management Office (PMO) has been set up to manage the scheme delivery which includes setting out policy and procedures for reporting and managing projects.
- 7.4 The current role of master developer is being delivered on behalf of the Council by Treveth, a Council owned entity. As the scheme progresses, this role will be delivered by a special purpose vehicle (SPV), Langarth Garden Village Master Developer (Langarth LLP), to take on the responsibility of all commercial aspects of the scheme and leading on the delivery of the Langarth

Vision. This will include the setting up of the stewardship company who will be the guardian of the Langarth Vision into perpetuity.

- 7.5 The legal form of the Langarth Stewardship Organisation will be determined at FBC stage, subject to further engagement, legal and financial / tax advice. The OBC currently suggests that it be set up as a Company (Limited by Shares or Guarantee) with an appointed third-party management company (such as the national land management charity, The Land Trust). The setup would be overseen and managed by the Langarth LLP (see 14 December 2022 Cabinet decision approving to proceed with setting up of the LLP).
- 7.6 If created in this form, a Stewardship Organisation will require:
- A Board of Directors,
 - Central Staff Employee/Team: to oversee operations and relationships, and support community development and communications activity
 - Specialist expertise as required: to inform stewardship activity
 - Procured Services: the estate will be managed (and services delivered) by an experienced management company
- 7.7 Representatives from Cornwall Council will have more decision-making influence at the outset of the stewardship organisation, that will reduce as the community and its stewardship organisation become more established, with the ability to assert a veto continuing throughout the lifespan of the stewardship Company. This is to protect the outcomes for the community into perpetuity and to retain an interest in the land in the long-term (see section 3 in this report).
- 7.8 Where any land is transferred or leased, this will need to comply with the requirements to obtain best consideration pursuant to Section 123 of the Local Government Act 1972 or, where there is any undervalue, this will need to comply with the General Disposal Consent 2003 and subsidy control rules. Where funding is provided to the stewardship entity, this will also need to comply with the subsidy control rules. To be clear, the proposed delegation to the Chief Operating Officer at recommendation 4 of this report includes circumstances where land could be transferred at an undervalue without the further consent of Cabinet provided that this complies with both the General Disposal Consent 2003 and the subsidy control rules.

8 Risk Implications of the proposed course of action/decision

- 8.1 The main business and service risks associated with the stewardship organisation are shown below, together with their counter measures.

Table of Risks and Contingencies

Risks	Contingency
Business Risks – these risks remain with the organisation (100%), cannot be transferred by the organisation, and include political and reputational risks.	
Changes to elected members / political priorities may impact on the stewardship organisation	Take a Business Case approach to secure decisions and make the case for change. Member engagement throughout the process.
Stakeholder support is required for successful adoption and operation of stewardship arrangements.	Stakeholder engagement through each stage of the Business case process.
Opportunities to access funding as an appropriate body.	Review and assess government and private funding opportunities; best practice of various stewardship organisations and their funding streams, and seek tax advice regarding VAT and tax treatment
Lack of cash – availability from CC. The business model is dependent upon the availability of CC investment.	Investment requirements focus predominantly on standard resident and commercial owner service and rent charge contributions, along with developer contributions through S106 (equivalent to what amount of financial contributions would be required from developers if Langarth wasn't being set up as a Garden Village with a stewardship organisation), as well as investment from Cornwall Council in the form of set-up funds, deficit grants and also strategic assets that will generate revenue and further the Council's localism objectives – that will only come about through the development of Langarth as a garden village with a stewardship organisation.
Service Risks – These associated risks fall within the design, build, financing and operational phases of the project and may be shared with others from outside of the organisation.	
Long timescales over which Langarth is being planned and delivered (25 years), and then managed (ongoing)	Establishing Langarth Stewardship Company to be suitably flexible to be able to respond to changing requirements dynamically and effectively, while adhering to its governing

Risks	Contingency
	investment objectives to safeguard the vision for Langarth and a sustainable legacy for Cornwall
Boundary review & change to parish boundaries	Active monitoring of changes to boundaries and understand implications. Include both the current parish council and Truro City Council in governance of the stewardship organisation to ensure appropriate community oversight.
Maintaining service standards from third-party suppliers of maintenance and management services	Appropriately robust procurement and contract management of suppliers including clear service-level agreements consistent with stewardship objectives.
Financial risks regarding income from assets	<p>Business Plan to be developed to include a diverse portfolio of income stream across various assets.</p> <p>Commercial Strategy required for Langarth's revenue-generating activities to inform the above.</p>
Commercial risks associated with letting commercial space.	Business Plan to include a diverse portfolio of income stream across various assets. Ensure flexibility of commercial space to allow other uses.
Lack of expertise / experience within the organisation to fulfil its business needs.	Set up a stewardship model that is suitably flexible to accommodate subsidiary org and sub-contractor relationships for specialised services as required. It is normal practice for stewardship organisations to outsource most management/service functions until it obtains the required knowledge and experience, as well as financial self-sufficiency to bring more in-house.
Ability to grow and support LGV at the same rate as development.	Business Plan will be aligned with stewardship org's evolution to ensure sufficient capacity exists within the stewardship organisation.
<p>Lack of cash – availability from government</p> <p>A change in government policy, especially New Homes Bonus,</p>	Test implications of possible changes in government policy

Risks	Contingency
could fundamentally affect the financial benefits of development to CC.	On-going monitoring of policies, proactive lobbying as appropriate
Inability to attract and retain high-quality staff	Understand resourcing needs and ensure continuity from Langarth's planning stage. This OBC recommends the initial in-house Langarth central staff team is staffed by those people involved in Langarth's planning and appropriate contracts can be put in place to ensure external expertise can be drawn on from Cornwall Council and elsewhere as required, until the stewardship organisation can attract suitably qualified staff and afford to bring more roles in-house. This will include bringing on the expertise of a third-party management company.
Financial risks on individual projects There will be an inevitable residual risk of undershooting target returns on an individual project level. Whilst this risk can be mitigated by careful project definition and management, it cannot be eliminated.	A portfolio view of risks and returns must be taken. Shortfalls in returns from one project need to be viewed in the context of their impact on portfolio performance as a whole and measures taken, if necessary, to adjust the approach and target returns on some projects to balance under performance on others.
External Risks – These non-systemic risks affect all society and are not connected directly with the proposal. They are inherently unpredictable and random in nature. They include technological disruption, legislation, general inflation and catastrophic risks	
Resurgence of current pandemic or a new pandemic	Protocols now developed for how to respond in the case of a pandemic, as well as local, regional and national policy focus on building local sustainability and increasing resilience in case of future pandemics or other crises.
Economic and housing market changes impacting upon demand for services and subsequent income.	Ensure flexibility of use for any assets and buildings. Cornwall Council has adopted a peak debt model and a specific risk mitigation plan in

Risks	Contingency
	<p>relation to this as part of its wider funding programme.</p> <p>LGV LLP is the master developer and a risk mitigation plan is being developed and monitored in relation to this.</p> <p>The stewardship organisation project assurance process will include regular reviews of these risk registers to ensure how they impact on risks and mitigation regarding the stewardship organisation specifically.</p>
<p>Changing government policies (national or regional)</p> <p>Changes in taxation, planning, housing, and energy policy may deter developers, reduce revenues or impact on BCC's ability to deliver housing targets.</p>	<p>Stress-test various scenarios to understand the impact</p> <p>Ongoing monitoring of policies</p>

9 Cornwall Development and Decision Wheel

9.1 The full Decision Wheel and commentary is included in Appendix 1 to this report. An overview is below.

Environmental and Social



Equality and Inclusion



10 Options available

10.1 Following the Strategic Business Case, shortlisting a number of options, potential models were evaluated further through the Green Book's Critical Success Factors.

10.2 The OBC in Appendix 2 includes an options appraisal of those that were shortlisted at SOC stage. The option appraisal includes a useful traffic light overview based on evaluation of different options against critical success factors:

Critical Success Factors	Business as usual (BAU)	Company limited by guarantee (CLG)	Company Limited by Shares (CLS)	CLS constituted as Community Interest Company (CIC)	Community Benefit Society	Third-Party Providers	Hybrid
Meets the agreed spending objectives, related business needs and service requirements	Red	Yellow	Green	Green	Red	Yellow	Green
Provides holistic fit and synergy with other strategies, programmes and projects	Red	Yellow	Green	Yellow	Red	Yellow	Green
Optimises social value (social, economic and environmental), in terms of the potential costs, benefits and risks	Red	Yellow	Green	Green	Red	Yellow	Green
Matches the ability of potential suppliers to deliver the required services	Yellow	Yellow	Yellow	Yellow	Red	Green	Green
Appeals to the supply side	Yellow	Yellow	Yellow	Yellow	Red	Green	Green
Can be financed from available funds	Green	Green	Green	Green	Green	Green	Green
Aligns with sourcing constraints	Green	Green	Green	Green	Green	Green	Green
Is likely to be delivered given the relevant parties ability to respond to the changes required	Yellow	Yellow	Yellow	Yellow	Red	Green	Green
Matches the level of available skills required for successful delivery	Yellow	Yellow	Yellow	Yellow	Red	Green	Green
Outcome	Discounted	Carried	Carried	Carried	Discounted	Carried	Preferred

- 10.3 As can be seen, there are several options that have been carried forward, with a current preferred option also identified.
- 10.4 The option of Business as Usual was ruled out at SOC stage. This is because:
- It did not provide a strategic fit and meet business needs
 - It does not optimise social value.
 - It would be easier to manage under one single entity.
- 10.5 A Community Benefit Society has been discounted as an option. This is because:
- It does not provide a strategic fit and meet business needs.
 - It has sufficient regulations but limited flexibility to balance potential costs, benefits, and risks in perpetuity to ensure social value
 - The legal type of organisation set up to be the overarching community stewardship organisation is not deemed to have a bearing on supplier capacity and capability, as all would initially be set up by the Council.
- 10.6 Using a stand-alone management company is another possible viable option, but it is not the preferred option. This is because:
- It does not best provide a strategic fit and meet business needs. Community stakeholders will not have any decision-making ability as they will be local influencers, not decision makers.
 - This approach is not aligned with Cornwall Council's Localism Strategy and in particular the key principles of sharing more community control over assets and services and involving communities more in decisions that affect them.
- 10.7 The currently preferred option is a hybrid option to set up a Local Stewardship Organisation established as a Company (Limited by Shares or by Guarantee) that then appoints a third-party management company (through a procurement process), to deliver the stewardship scope. This is because:
- This is the option that best provides a strategic fit and meets business needs. It is sufficiently regulated to ensure community benefit (especially if specific objectives for Langarth are detailed in the articles of association), protects members from liability, is sufficiently flexible to be tailored to requirements, can meet objectives, business needs and service requirements, and provides holistic fit and synergy with other strategies, including localism and is not a profit distributing entity.

- Provides local control and representation, while mitigating the risk of delivery through the experience, knowledge and expertise of an organisation with a track record of delivering successful stewardship services across the Country.
- It can be set up to ensure sufficient regulations and flexibility to balance potential costs, benefits, and risks in perpetuity.
- By appointing a third-party management company with expertise and track record, the risk of setting up a new community stewardship organisation is minimised. This risk will also be minimised because the stewardship organisation will slowly be set up and grow in scope as the development of Langarth progresses and management is handed over from the development portfolio manager in stages as appropriate. Suitably qualified staff could also possibly be seconded from the council to ensure a smooth transition.
- Although setting up and staffing a new organisation will likely incur additional initial revenue costs, these costs are likely to be more sustainable and to benefit local staff and are lower than on a traditional approach that does not incorporate third-party management company. The finance model demonstrates that a hybrid model would achieve a break-even point before a traditional approach.

10.8 The choice between the two different legal forms of Limited by Shares or Guarantee requires further consideration in relation to legal, financial, procurement and governance considerations during FBC stage.

- If the land is transferred by the Council to a subsidiary company limited by shares, SDLT group relief will normally apply provided the Council holds (directly or indirectly) at least 75% of the subsidiary's ordinary shares, profits and assets available for distribution. This relief is not available to a company limited by guarantee.
- A Company Limited by Guarantee (CLG) may offer more future flexibility, but it does not provide some of the potential tax efficiencies that are available through a Company Limited by Shares (CLS).
- Currently received legal advice on either legal form has not been conclusive and has not taken account of the community stakeholder aspect, nor has it considered Cornwall Council's internal preferences and processes, so that a decision on the legal form should be deferred to OBC stage to enable fully informed decision making. This will also help to ensure stakeholder engagement can be undertaken and feedback incorporated as required.

10.9 The final decision in terms of the model and company structure will be determined through delegation and consultation as set out in the recommendations, following further work being undertaken during FBC stage.

11 Supporting Information (Appendices)

11.1 Appendix 1 – Cornwall Development and Decision Wheel.

11.2 Appendix 2 – Outline Business Case for the Stewardship Model

11.3 Appendix 3 – Appendices to Stewardship OBC, consisting of:

- Appendix 1 – Risks, constraints & dependencies
- Appendix 2 – Critical success factors, strategic parameters and considerations
- Appendix 3 – Key financial assumptions

11.4 Appendix 4 – Appendices to Stewardship OBC, consisting of Finance model summary and cashflow hybrid option – EXEMPT.

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 all reports)	Mark Pearce	13 March 2023
Finance (Required for all reports)	Russell Ashman	14.03.2023
Cornwall Development and Decision Wheel (Required for all reports)	Sarah Thorneycroft	30 Jan 2023
Service Director (Required for all reports)	Louise Wood	13 March 2023
Strategic Director (If required)	Phil Mason	14/03/23