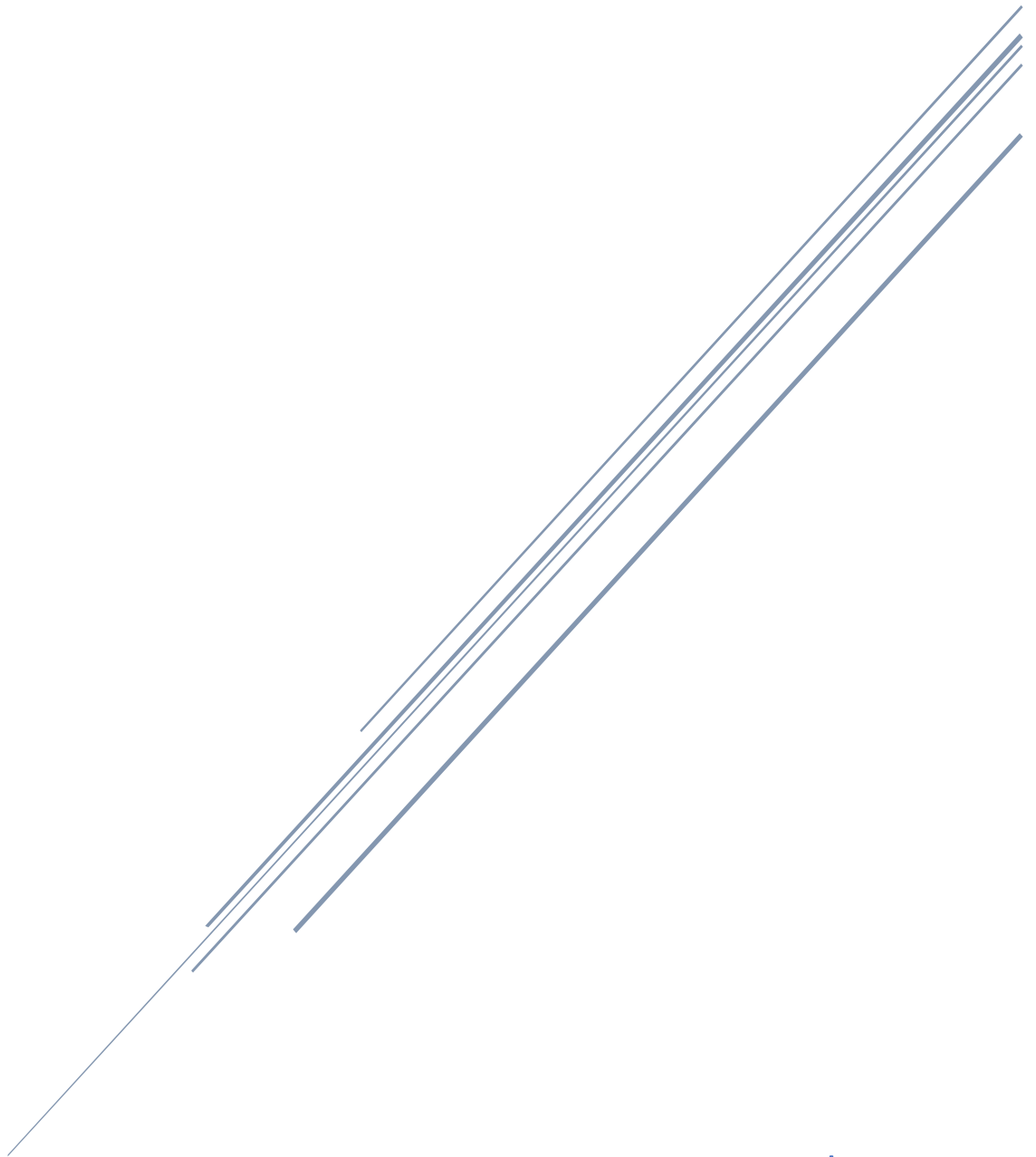


ANGLE DEVELOPMENTS (EAST)
LTD

Initial Business Plan



March 2020

1. EXECUTIVE SUMMARY

Angle Developments (East) Ltd is a subsidiary company of the Combined Authority Trading Company, Angle Holdings Ltd. Angle Developments (East) Ltd is a vehicle set up to enable the Cambridgeshire and Peterborough Combined Authority (CPCA) to support the delivery (directly or indirectly) more affordable and market houses in the CPCA area. The objective is not to deliver development through maximizing profit for the company, but to enable and accelerate the delivery of affordable (specifically mayoral £100k homes) and market housing, that the market would not otherwise deliver.

In the housing strategy approved at board in September 2018 the board approved a series of potential 'toolbox' interventions. These have been adapted to reflect the brief for Angle Development (East):

Angle Devts (East) Ltd Toolkit



In order to progress some of these alternatives, like joint ventures, direct development and some strategic land initiatives, CPCA needed a delivery vehicle to manage risks and the costs and returns.

Angle Developments (East) Ltd will harness expert property development knowledge alongside community experience and local knowledge to support the delivery of successful well-designed property developments with affordable housing, which will bring community benefit and respond to the needs of the local market.

In doing so, in the first few years it will:

- Facilitate the delivery (directly or indirectly) of more affordable housing in the CPCA area, specifically targeting either the delivery of mayoral £100k homes in every scheme and/or additional affordable housing in lower (sub £100k for 1 bedded home) value locations.
- Look to support smaller and medium sized schemes (up to say 150 units) in its initial period in order to prove capability and concept.
- Support CPCA growth priorities and evolving future objectives, creating community value in delivering sites.

- Engage development activities with a priority objective to make enough profit from its activities to cover and service its operating costs, before then using any surpluses to deliver 100k homes and affordable housing.

Angle Developments (East) Ltd will engage directly in residential and commercial markets to support and undertake property development across the CPCA region. This plan summarizes the financial projections from three initial schemes. By year 2023/24 it is intended to have eight residential development projects at different stages of development.

It is intended to update this initial business plan in 6 months' time to further articulate the ambition for the companies activities and progress to date at that point.

Initial Financial Projections Years 1-3 (first three projects)

The projections below are based on the compilation of initial financial modelling of three illustrative schemes in the CPCA area. These were:

- A new direct development of appx forty units in Fenland.
- A joint venture on a site comprising sixty-eight units in Peterborough.
- A generic scheme of fifteen units in Peterborough These are indicative of the sort of schemes that we will initially take on and deliver, before looking for larger more ambitious projects.

Our ambitions are more significant and will be articulated by further updates of the business plan once other schemes are secured. Ideally by year 2023/24 the company will have at least eight projects at different stages of development.

The Angle Developments budget is provided as Appendix A to this Business Plan.

	Year 1 Apr 20/Mar 21	Year 2 Apr 21/Mar 22	Year 3 Apr 22/Mar 23	Year 4 Apr 23/Mar 24	Total
Profit from illustrative schemes	£0	£0	£6,000	£663,000 (£440k, £223k)	£669,000
No of units start on site (No of affordable units)	40 (10)	68 (42)	15 (6) (plus new opportunities)	TBC (new opportunities)	123 (58) (plus new opportunities)
Company operating cost	-£177,180	-£180,360	-£217,540	-£220,000	-£795,080
Surplus/(Loss) after operating costs per yr	-£177,180	-£180,360	-£211,540	£443,000	-£126,080
Cumulative Surplus (loss)	-£150,000	-£357,540	-£569,080	-£126,080	

It is intended that Angle Developments (East) Ltd will have access to a loan of £600,000 from the CPCA to cover its early years operating costs. Based upon the delivery of just the first 3 projects, at the end of yr 4 a balance of £126,080 from the £600,000 loan will still be outstanding. It is anticipated that this will be cleared with further projects that will be identified during yr 20/21 and delivered by yr 23/24.

2 INTRODUCTION

This Business Plan is designed to provide an overview and detail of the:

- Governance structure.
- Financial overview.
- Risk Management.
- Board and Management Structure.
- Housing objectives and potential activities.

Angle Developments (East) Limited is a private company limited by shares that is wholly owned by the Cambridgeshire and Peterborough Combined Authority (CPCA). Angle Developments (East) Limited is a subsidiary of the CPCA holding company, Angle Holdings Limited and operates at 'arm's length' from CPCA with an independent board for operational decision making.

Working with CPCA the following drivers were established:

- Increase the number of Affordable and Market Homes being developed from sites where the market is either failing to deliver or deliver as quickly.
- Seek to act as a delivery vehicle for the delivery of a number of mayoral £100k Homes.
- Generally, support the building of new affordable & market homes.
- Maximise Devolution Opportunities.
- Promote an Open for Business and 'Can Do' Attitude.
- Not driven by creating maximum profit above covering operating costs, but by delivery.

2.1 Background

On 26 September 2018 (Agenda Item 2.1) the CPCA Board adopted the 'CPCA Housing Strategy'. The strategy identified the need to accelerate the delivery of housing in order to meet the aims of the CPCA. One of the housing strategy recommendations is:

STRATEGIC FIT

CPCA Housing Strategy (September 2018)

'Direct Action: The CPCA should establish a wholly owned company to undertake the development and management of new homes in the region.'

The Local Government Act 2003 restricts local authorities from making a profit from its services, although they are able to offset on costs. The Localism Act 2011 enables local authorities to undertake activities to make a profit but only if delivered within a company.

The CPCA has established wholly owned holding and trading companies (Angle Holdings Ltd and Angle Developments (East) Ltd, where the CPCA retains full control, manages its risks and receives the benefits in full. The CPCA is the sole shareholder.

The purpose of this document is to set out the initial business case for Angle Developments (East) Ltd.

Angle Developments (East) Ltd was established as a 'tool' to enable CPCA to support the market with some direct housing delivery. Whilst Angle Developments (East) Ltd is a legal entity in its own right and should be free to operate commercially to create or enable additional housing and specifically more Affordable Housing and £100k homes to be developed, it is important to remember that it is a company that is wholly owned by CPCA. It is not intended to focus its activities on making full market profit, but on supporting housing delivery whilst creating enough profit and cashflow to cover and service its operating costs over a long term timescale.

As the sole shareholder CPCA has an interest to ensure, wherever practicably possible, that Angle Developments (East) Ltd does not make losses in the long term. Any profit created for CPCA will ultimately benefit the CPCA as sole shareholder as the only body capable of receiving a dividend. However, it is anticipated that any profits achieved will be reinvested in Angle Developments (East) Ltd to cover its operating costs and to achieve a greater output of £100k homes to enable CPCA to achieve the aims of increasing and accelerating the delivery of housing in the area.

2.2 Strategic Fit

The CPCA has an ambition to facilitate the delivery of 100,000 more homes in the region by 2036 (including at least 40% new affordable homes).

In order to achieve this, the Mayor, together with the partner organizations within the CPCA area, has agreed the following key strategic objectives for housing:

- To accelerate housing delivery to support economic growth.
- To create prosperous places where people want to live, and
- To expand housing choices to meet a range of housing needs.

Across each of these objectives the CPCA's programme of intervention falls into three broad areas:

- Direct Action, where the CPCA will take an active strategic investment approach to deliver new homes.
- Enabling Action, where the CPCA will distribute funds including loans and recoverable enabling finance for the delivery of new homes by others.
- Collaborative Action, where the CPCA will work with its partner authorities, housing agencies and the private sector to support increased and accelerated delivery by others.

2.3 Purpose

Angle Developments (East) Ltd is a key part of achieving these objectives in the long term through direct action. The company will provide the CPCA with the ability to do things it cannot currently do, specifically:

PURPOSE

To assist with delivering the aims of the housing strategy by:

- Accelerating the delivery of all housing
- Providing the ability and vehicles to JV with other LA's and/or private sector
- Making a profit which could be used to:
 - Invest in more housing
 - Return a dividend to the CPCA

In addition, it will:

- Enable and support the delivery of a portfolio of mayoral £100k units.
- Procure goods and services locally.
- Use any profits created to re-invest into more affordable housing units/schemes.

Initially we anticipate that Angle Developments (East) Ltd will focus on opportunities to accelerate the delivery through smaller scale direct development or joint ventures with constituent Council's and third-party bodies, both in the public and private sector.

3 VISION

We believe in improving the quality of life of the taxpayer of the Cambridgeshire and Peterborough area and intend to deliver the objectives which are set out in the 'CPCA Housing Strategy' (September 2018). Angle Developments (East) Ltd will support the Cambridgeshire and Peterborough Combined Authority in achieving these objectives.

4 MISSION STATEMENT

Angle Development (East) Ltd will harness development and community experience with local knowledge to support and deliver successful well-designed property development which bring community benefit, are right for their place and respond to the needs of the local population.

5 STRATEGIC OBJECTIVES

- To make a positive contribution to the delivery of more affordable (specifically £100k homes) and market housing across the CPCA area and to contribute to meeting housing need in all segments of the market.
- To make the best use of every opportunity that might become available.
- To trade in a manner that, wherever possible, acts in the best interest of the CPCA.
- To recycle any surplus funds generated from these projects to support the aims of the CPCA, specifically re-investment into more housing schemes.

- To support the delivery of the mayoral £100k home initiative.

6 OPERATING MODEL AND STRUCTURE

Angle Developments (East) Ltd will operate in the local residential property markets across the CPCA area. It will look to identify and deliver additional housing through an entrepreneurial approach, typically but not exclusively through direct development (securing an interest and developing land itself) where there are no significant or exceptional risks like contaminated land or joint ventures with other public sector organisations or third parties from the market.

Every opportunity that arises will have its own business case which will have to be approved through the necessary governance process by the Angle Developments (East) Ltd Board of Directors. If funding is required from the CPCA for any activities, approval will also need to be sought from the CPCA Board to secure an appropriate funding facility. Approval of the parent Holding Company, Angle Holdings Limited will also be required.

The Board of Directors of Angle Developments (East) Ltd comprises:

The Independent Chairman and 2 Directors, being one of the joint Chief Executives of CPCA and the CPCA Director of Housing and Development.

The quorum for board meetings shall be three.

At Board meetings each director shall have one vote.

Board meetings shall be held at least quarterly on such dates as they may agree (where there is failure to reach an agreement a decision will be made by the Chairman). Special Board meetings might need to be called to make decisions on specific opportunities or situations as they arise or are required, to be requested by any of the Directors and Co-ordinated by the Chairman.

- An agenda and any papers for a meeting will be prepared and distributed not less than 5 business days prior to the meeting (within 2 days for a special board meeting).
- Except where the information is commercially sensitive, minutes of Board meetings will be provided to the Shareholder Committee for noting.

7 TYPES OF ACTIVITY

The toolbox slide on page 1 articulates the sort of activities that the company will undertake. Specifically, most of its initial activity is likely to concentrate on the following:

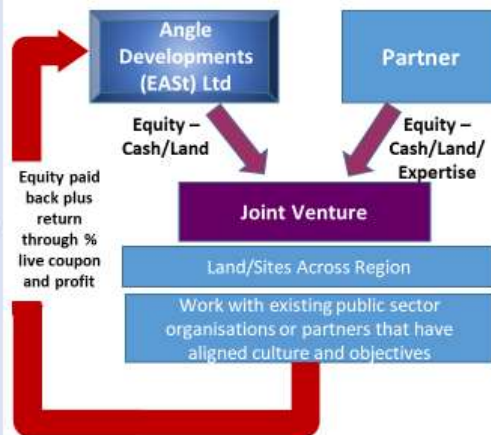
Joint Ventures

Joint ventures will offer opportunity for shared risk and return, which might be particularly attractive in early years:

Joint Venture

Types of schemes / Areas

- Collaborative approach across the region
- LA's and public sector partners can put sites in/utilise their housing companies
- Potential to procure, expertise and funding through JV partner
- Must deliver £100k homes and/or additional affordable housing



Advantages

- Return on investment @ interest rate plus profit
- Cross subsidy model for £100k homes/affordable housing
- Procurement savings
- Potential partner expertise utilised
- Share in risk, less capital required

Disadvantages

- Up front investment to establish partnership
- Need for land commitments
- Who has control?
- Exit strategy needs to be understood

£100k Homes, Direct Delivery or Support

To support the creation of a portfolio of £100k homes direct delivery would most likely be through Joint ventures or direct development if low risk. A significant strategy to support the delivery of £100k homes will be through making available and offering loan finance at rates that comply with any applicable competition legislation or requirement. Those loans will most likely be contracted direct between the CPCA and the borrower, so not requiring the involvement of Angle Developments (East) Ltd.

Direct Development

Direct Development

Types of schemes / Areas

- Schemes that do not meet market profit/hurdle rates but do for a low/non profit delivery model
- Mix of private sale, rent, must have £100k home or affordable Housing elements
- Use of public sector land or acquisition of failing sites from market



Advantages

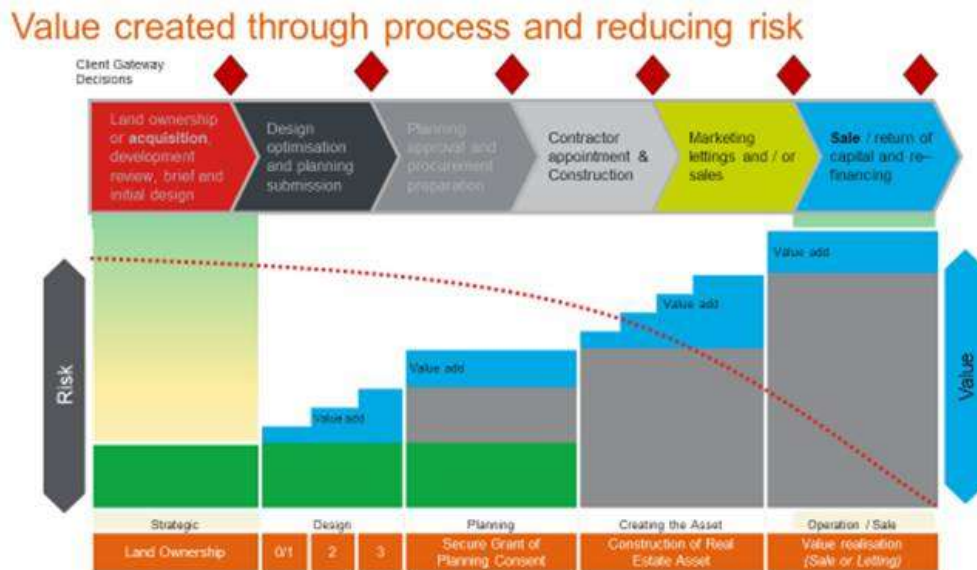
- Low profit enable schemes to be built that the market will not deliver
- Receipt of any profit
- Ability to increase volume & pace of development
- Utilise CPCA lower cost debt funding
- Control
- Enables cross subsidy of profit to get more affordable housing

Disadvantages

- Relies on broadly viable schemes
- Higher risk – exposed to development /sales risk
- Need to establish supply chain

Direct development opportunities will offer full control over the pace and type of development being delivered. It will enable the full capture of value being created through the development

process.



11

In order to deliver a direct development Angle Developments (East) Ltd will use its own internal resources to act as development managers and appoint the services of a professional development team that would include a project manager, quantity surveyor, architect and other professional advisors to deliver a scheme.

Especially in early years Angle Developments (East) Ltd will not want to expose itself to significant risks, so each opportunity will need to be considered on its own merits.

Community Land Trust Support

Having Angle Developments (East) Ltd being used as the developer, taking on construction and handing over a completed development to a CLT is the most likely type of involvement. This may be linked to CPCA potentially offering funding only to schemes direct to CLT's. That will not require Angle Developments (East) Ltd to be involved.

Infrastructure Enabling/Recovery

Opportunity for infrastructure enabling as indicated below may sit alongside a land value capture opportunity:

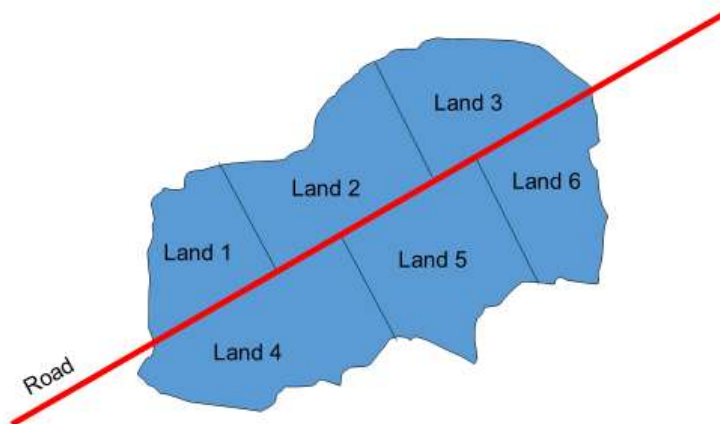
Infrastructure enabling/recovery

Example

- 6 land holdings, cost of road not viable to an individual owner
- Link road / Change of use enables residential development on all 6 holdings

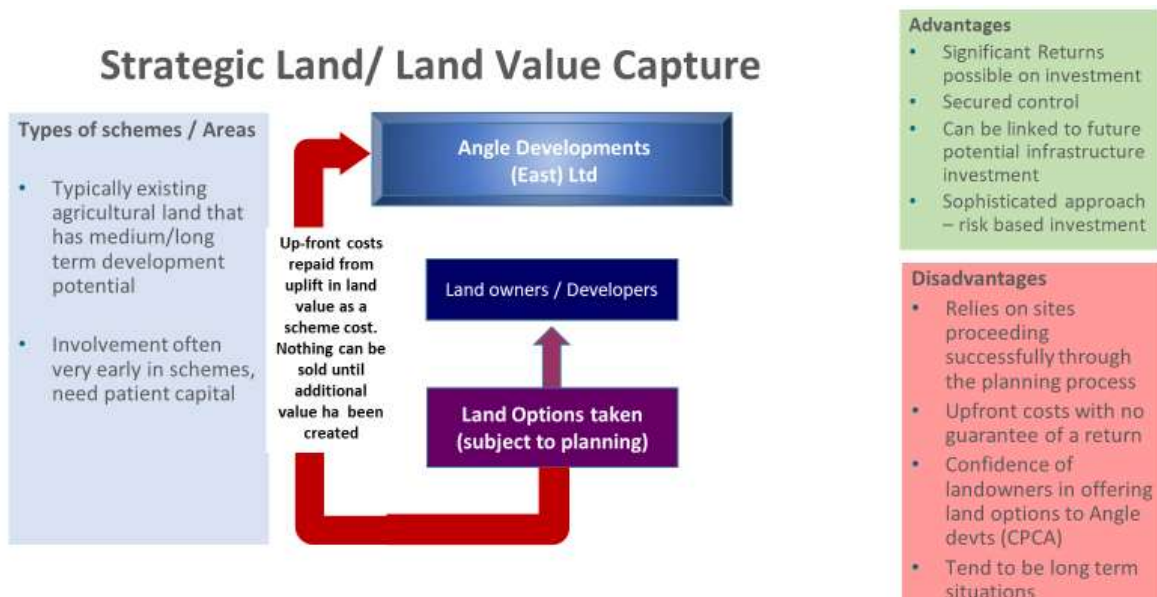
Approach

- Angle Devts provides loan to deliver link road
- Security taken over land
- Plots / units cannot be sold until charge is released



Strategic Land/Land Value Capture

Specifically targeted at land value capture and garden village opportunities along the potential CAM network. The company could be the delivery vehicle for such opportunities:



8 YEAR 1 OBJECTIVES

This business plan sets out the following specific targets for Angle Developments (East) Limited first full Year 1 (2020/21).

- Enter into direct development or joint ventures for the development of at least two sites in the CPCA area.
- Identify any possible new development opportunities from constituent Council owned land and securing a position to become involved in the delivery of these sites.

- Identify a pipeline of future development projects that will deliver more homes in the CPCA area, including mayoral £100k homes starting on site by no later than 31st March 2022.
- A confidential list of opportunities is attached in Appendix A. More productive and less capital-intensive schemes may come from partnerships on sites where constituent councils own the land. Fenland District Council has supplied a short list of opportunities that is being reviewed, though none have an existing planning consent so if there is opportunity these will medium/longer term opportunities.
- Future year objectives will be driven by the principle of seeking to expand and increase the companies influence through becoming involved in and delivering an increasing number of housing schemes. So, year two should secure a minimum of two new schemes and each year after a minimum of two new schemes, so that by year 2023/24 it will have at least eight projects ongoing at different stages of development.
- Creation of a company identity, stationery, logo, brand principles.

9 STAFFING

Angle Developments (East) Limited is being established in the first instance to deliver the outcomes of the CPCA Housing Strategy (September 2018). In its early stages the company will be supported by the Director Housing (part-time seconded from the CPCA) and a development manager (part-time seconded from the CPCA). Time will be on an as required basis and will flex dependent upon the level of activity. Timesheets will be used to track and record this.

Where Angle Developments (East) Ltd decides and has opportunity to participate more significantly in the property market there will be a need to increase the amount of time being offered to company activities by the CPCA seconded staff and eventually to consider the employ of additional personnel direct. This will be subject to the approval of the Board of Directors; such approval will be based on a business case which will clearly identify the rationale, need and costs of the resources required to deliver, enhance and accelerate the company's operations in the housing market.

Such key personnel may over time include (in no particular sequential order):

Construction Manager

The Construction Manager will be responsible for all building contracts and contractor procurement. The role will include appointing professional advisors, being involved and advising early in the design process in order to add value to an overall development outcome, manage the preparation of tender documents, review tender returns, make procurement recommendations to the Board and monitor contractor delivery throughout the development process, including after practical completion in managing snagging, contractor retentions and ongoing relationships.

Land Manager

The Land Manager will be responsible for identification, assessment, negotiation and acquisition of new development opportunities, as well as assisting with the promotion of projects by managing external consultants through the design and planning stages to maximize return.

Development Manager

The Development Manager is responsible for the overview/management of projects from acquisition to completion, through all stages including acquisition, the pre-design and pre-

construction phases; overseeing all design issues and coordinating with the external consultants and contractors that will progress the build process to completion.

Sales Manager

The Sales Manager will create marketing strategies and materials, and manage new site set ups, sales releases and pricing. The Sales Manager will manage and motivate an external Sales and Legal team that is capable of achieving the Company's objectives through support, control and delivering receipts and meeting sales objectives whilst at all times ensuring they enhance the Company's reputation to prospective and existing customers and deliver high standards of customer service.

10 SUPPLIES, SYSTEMS AND INFRASTRUCTURE

CPCA will provide support services to Angle Developments (East) Ltd through a managed Service Level Agreement (SLA).

Angle Developments (East) Ltd will when appropriate and required establish contractual SLAs with each support service. This will include measurable performance indicators, break clauses and remedies for non-performance.

Once the company is fully operational there will be an annual review process whereby SLAs are refined to more accurately reflect the support the company needs.

Support services will initially include:

- Finance- transactional finance functions and financial control activities.
- IT- provision of IT equipment and services- including helpdesk support.
- Insurance provision (buildings and public liability).

11 USE OF EXTERNAL SUPPLIERS

Angle Developments (East) Ltd will seek to use local external suppliers where the appropriate quality of service can be competitively sourced. For larger construction works contracts exceeding the EC threshold of £4.3 million, initially at least, OJEU procurement principles will apply.

12 PROPERTY AND ASSETS

Angle Developments (East) Ltd will initially operate from shared offices with the CPCA at The Incubator 2, First Floor, Alconbury Weald Enterprise Campus, Alconbury Weald, Huntingdon, PE28 4WX. In order to be flexible, office accommodation arrangements will be reviewed frequently in the first 2 years.

13 INFORMATION SHARING

An information sharing protocol will be developed during implementation.

14 DATA PROTECTION

Angle Developments (East) Ltd will comply with the relevant legislation and guidance concerning Data Protection, including adopting suitable policies and procedures to ensure data is adequately safeguarded.

15 FREEDOM OF INFORMATION

As a company wholly owned by CPCA, Angle Developments (East) Ltd will be subject to requests for the disclosure of information under the Freedom of Information Act 2000 (FOI) in its own right. As such, the company will maintain a record management system that complies with the relevant guidance concerning the maintenance and management of records.

Angle Developments (East) Ltd will liaise with CPCA as appropriate to ensure consistency in answering FOI requests and provide such information to CPCA as it may require, to answer requests it has received.

16 MARKETING STRATEGY

In line with our Vision and Values, Angle Developments (East) Ltd will develop its Brand, (incl Logo) and Marketing Strategy with a view to clearly articulating its Proposition to potential partners and customers.

17 BUSINESS DEVELOPMENT

Angle Developments (East) Ltd will build key market and customer relationships from a network of potential contacts and partners, including agents, developers, landowners, professional advisors, contractors and others including CPCA staff, public sector partners and Local Authorities. The future of the Company will depend on its ability to connect with this divergent set of organisations and clients around common or aligned objectives; to enable and build good quality, well-designed new housing developments that are both commercially successful (in so far that losses are not incurred) and right for their place.

18 SWOT AND RISK ANALYSIS

18.1 Strengths

- Opportunity for Angle Developments (East) Ltd to enhance the CPCA brand and develop the business over time as a trustworthy, capable and well-funded developer and partner
- The company might be able to access opportunities from constituent Council portfolios or one public estate land and property with potential to create a strong pipeline of future development projects that would underpin and potentially significantly accelerate the future business pipeline.
- Angle Developments (East) Ltd is not driven by creating commercial rates of return or profit, but by a need to see more affordable and market housing being delivered without making financial losses.

18.2 Weaknesses

- Decisions will need to be taken quickly if the company is able to respond to market opportunities when they arise.
- Angle Developments (East) Ltd will be a new 'player' in the market, with no track record of successful delivery in its own right. This might make potential partners cautious about doing business with it and its initial operating costs might be high in relation to its immediate activities.
- With no existing supply chain, particularly for construction, initial construction costs might be higher than for established developers with long term relationship to call upon.

- There is the potential for perceived bias in the way that the Company operates, being wholly owned by the CPCA.
- There may be a perception (initially!) that being a wholly public sector owned entity that it may not be acting, operating and capable of behaving in a fully commercial manner.

18.3 Opportunities

- Underlying long term high demand for new housing at all levels of the market and low level of current supply so investment risk is reduced.
- Producing design-led, good quality housing will give Angle Developments (East) Ltd an opportunity to position itself as a developer of choice for landowners.
- A flat or slightly depressed housing market offers an opportunity to pick up some sites that local and regional developers in a more positive market would normally be heavily competing for, reducing the risk of over-paying for land in the short term.

18.4 Threats

- Property market can be subject to volatility in cost and especially sales values and volumes.
- As house prices strengthen, other local developers will up their game in terms of appetite to develop, design quality and presence in the local market.
- Housing and planning are key policy areas for all political parties and future changes to government policy and legislation have the potential to create adverse conditions for the company.

18.5 Commercial Risk

The key risk is around CPCA's inexperience in delivering direct housing activity through a company. It is, however, a shift in approach taking place throughout UK Local Authorities. The appointment of key personnel with strong market experience will allow the risk to be managed, along with managing the size and scale of early projects and engaging in joint ventures with appropriate partners.

The level of risk exposure should be managed carefully in the formative years of the company, with risk limited to specific projects for which there is a clear and understood risk profile.

Appendix A: Angle Developments Budget