Bolsover District Council

Bolsover District Company

Income Generation from Housing, Commercial and Regeneration Activities - Business Case

January 2023

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CONTENTS

1. Strategic Case

This Business Case is structured around the HM Treasury Five Case model. The diagram below shows the five cases and their purpose

Strategic case	Economic Case	Commercial Case	Finance case	Management case
•Introduction •Current Arrangements •Case for change •Business need •Objectives •Long List Options •Conclusion	•Shortlisted Options •Key Financial and Non Financial Benefits •Appraisal Criteria •Options Appraisal Selection of Preferred Option •Conclusion	•Structure and Funding •Commercial Considerations •Legal Structure •Funding •Governance •Tax •Conclusion	•Preferred Option •Operational Costs •Transaction approach and costs •Affordability •Conclusion	•Project Governance arrangements •Approach to project management •Conclusion

This section forms the Strategic Case of the business case for the Council to develop an approach to income generation from its housing, commercial and regeneration activities. It is intended to provide a common understanding of the current issues that need to be addressed for Bolsover District Council (BDC, or the Council) and considers the high-level strategic options open to it to address these issues. The document identifies a series of feasible options for consideration at the next stage, in the Economic Case.

1.1. Introduction: the proposition

To deliver the Council's ambition vision statement 2020 - 2024, *'to become a dynamic, self-sufficient and flexible Council that delivers excellent services, whilst adapting to local aspirations and acting as the economic and environmental driver for Bolsover District'*, there is a pressing need to generate income from housing, development, and regeneration activities to fund the investment required to tackle the key challenges facing BDC.

Operating amongst the current economic and political climate is a critical challenge for all Councils across the country. With large volumes of Council funding being utilised to address the current cost of living and inflation crisis, it is increasingly important for local authorities to invest in income generating activities to ensure Council operations remain funded in both the short, medium, and long term. With a substantial list of issues facing the Council (explored below), it's vital the Council can fund the investment required to address the issues ahead.
The Council are in a position where they wholly own 'Dragonfly Developments'. It is critical that this organisation is tailored to tackle vital issues at the forefront of Bolsover's agenda, whilst simultaneously providing long term solutions and sustainability to BDC. Establishing the business model, and a business plan are the initial steps to ensuring 'Dragonfly Developments' effectively serves the BDC ambition and vision.

1.2. Current Arrangements and the Case for Change

Financial position

To deliver the housing, development, and regeneration needs of the Council, BDC had contracted with Woodhead construction to facilitate delivery of projects. The Council has approval to invest £36 million to build new Council properties, all of which were at risk with Woodhead Construction ceasing trading. The Council took swift action to take full control of 'Dragonfly Developments' and procure the required resources from Woodhead construction to ensure delivery of current and future projects. Woodhead had contractually agreed to spend within the local economy, agreeing to source 80% of subcontractors within 20 miles of sites. Alongside this, a range of apprenticeship and training opportunities were to be created, boosting skills, and providing jobs across the district. The Annual Population Survey (2020) published by the ONS reports the percentage of the Bolsover working-age (aged 16-64) population who have a degree or higher is 21.0%, which is below the 42.8% degree qualification rate for England. The data demonstrates the significant need to support the labour market, and as such the Council intervention to take full control of 'Dragonfly Developments' will ensure that the benefits to the local economy and it's residents can still be delivered.

With Government grants and funding reducing, it is increasingly important for BDC to become self-sufficient and strategic in their decision making. The acquisition is the first step to achieving this, however the logistical, operational, and strategic mechanisms are currently absent, and will need to be established to ensure 'Dragonfly Developments' is set up for success.

Demand and need

Akin to the rest of the nation, there is significant demand for appropriate social and private housing in Bolsover, suitable for the population need. Housing data clearly demonstrates the significant gap:

- In 2017, The Strategic Housing Market Assessment OAN estimated that to meet all housing need in the district 126 affordable homes would have to be brought forward every year to 2034.
- As of 13th January 2023, there were 1,655 applicants on the Council's Housing Register.
- The Derbyshire County Council's Older Peoples Housing Strategy, has assessed that Bolsover District Council needs 200 additional units of older people's designated housing to 2035

The data above illustrates the shortfall in housing provision within Bolsover and showcases an opportunity for BDC to utilise 'Dragonfly Developments' to tackle this critical issue at the forefront of the housing agenda. Alongside this, the housing market is currently failing to provide sufficient supported housing for people with complex needs, such as those living with mental health issues, learning disabilities and Autism. There is a further need for the Council to provide suitable and sufficient housing for the increasing ageing population within Bolsover (forecasted to grow 49.8% by 2041, ONS 2016).

Despite the demand for properties within Bolsover, as of August 2020 there were 754 long term empty properties in the District, approximately one third of these have been empty for more than 2 years. The Council could combine the use of policy and the resources of 'Dragonfly Developments' to intervene to ensure reduced numbers of empty properties to house those who require homes.

Bolsover strategic backdrop

Whilst the supply of housing fails to meet demand, the housing landscape in Bolsover is further complicated by the cost of housing within the district. Data shows:

- It is estimated that 24% of First Time Buyers cannot afford to purchase a flat and 36% cannot afford to buy a terraced house in the district.
- The house price to income ratio in Bolsover district at October 2020 is 5:1. (Source: Hometrack Housing Intelligence October 2020)

These statistics were recorded prior to the cost of living and inflation crisis, and therefore it's likely the number of residents priced out of purchasing a property in Bolsover has increased over the past 24 months. The Council can seek to address this through increasing the supply of homes, through housing development, and regeneration activities via 'Dragonfly Developments'

Tackling issues in relation to private rented accommodation is a priority focus for the Council, as documented in the Bolsover Housing Strategy.

The key issues within the private rental sector relate to the below quality and security of tenure in the private rented sector, and the shortage of suitable properties aligned to population need. This is clearly evidenced by data, as shown below:

- There is very limited private rented accommodation available, making up 13% of the properties in the district. Majority of the properties in this sector are owned by landlords who own one property or a very small number.
- Private Sector Stock Condition Survey: The survey concluded that 1,443 homes in the district of Bolsover fail the Decent Homes criteria, the majority are properties built pre 1918. Approximately 16.9% (5,110) homes contain a Housing Health and Safety Rating System (HHSRS) category 1 hazard, this is higher than the East Midlands Region (13.8%) and England (12.2%). It is estimated that 18.6% of HHSRS category 1 hazard are homes in the private rented sector and 16.3% are owner occupied homes.

The data clearly emphasises the need for appropriate intervention within the private rental market, a role which 'Dragonfly Developments' could adopt to restore the private sector landscape to acceptable levels. The Council are already providing several works across Bolsover, which are activities that could be undertaken and scaled by 'Dragonfly Developments', such as:

- Electrical works – April 2020 to March 2024 – upgrades to approximately 900 properties.
- Efficiency East Midlands (EEM) Framework – New windows and doors
- Replacement Kitchens
- Bolsover Safe and Warm Scheme
- Re-roofing programme
- External Wall Installation (EWI) scheme

National backdrop

The narrative from previous years of shortfalls in affordable housing provision due to a combination of market and local authority failures is likely be accentuated due to the current cost of living crisis, the after-effects of the global pandemic, and the war in Ukraine. Councils across the country are overspending on budgets to control the impact of multiple crises, which adversely impacts funding allocations for critical areas within the Council such as housing development, and regeneration. Whilst there may be a substantial upfront cost, adopting a proactive strategy in relation to housing development and regeneration will allow the Council to improve the medium to long term outlook. The severity of the challenge at hand can be demonstrated by understanding the risk to homelessness to residents within Bolsover. Recent figures show that homelessness is becoming more of an issue as BDC have seen 345 approaches for homelessness since April 2022 to date, compared with 233 in the full financial year of 2021/22 and 98 in 2020/21. The Council can deploy Dragonfly Developments to support delivery of the Bolsover Homelessness and Rough Sleeper Strategy.

Macro-Economic Factors

The development construction industry is currently in crisis as a result of a series of macro economic issues. Material shortages have caused significant supply chain issues for the sector at large, costs have soared since the start of 2021, and a combination of price inflation, energy price rises and the Ukraine conflict have all impacted the development sector significantly with construction cost inflation hitting c. 25% in July 2022 and interest rates hitting new highs for the last decade.

These factors, coupled with the cost of living crisis hitting residents, are providing a perfect storm. The cost of delivering housing is increasing whilst demand also hits new highs with record levels of people presenting as homeless, or qualifying for long term social housing.

1.3. Purpose and Objectives

The Council has undertaken an exercise to identify the *Purpose* and *Objectives* of this exercise. These are driven directly from the Council's ambitions as set out in it's Ambition Statement 2020-2021 which states that it wishes to become a dynamic, self-sufficient and flexible Council that delivers excellent services, whilst adapting to local aspirations and acting as the economic and environmental driver for Bolsover District.

The purpose of this exercise is articulated below:

Purpose
To enable economic growth and community regeneration through direct commercial action and to generate an income for Bolsover District Council.
To reinvigorate Bolsover District by directly constructing, stimulating employment, tourism, providing quality housing, regeneration and income opportunities through direct intervention and delivery.

The following set of Objectives were developed from this purpose:

Objectives
1. To provide a mechanism for the Council to directly deliver its construction programme for both social housing, private housing and commercial projects.
2. To contribute to meeting challenging housing delivery targets to meet population and housing growth projections.
3. To provide good quality private rented accommodation across the District.
4. To utilise staff and skills effectively across the services to maximise outcomes.
5. To maximise investment in commercial and retail property to generate a return on investment.
6. To provide an avenue to enable sites to be developed which aren't viable for open market sales (private rent / other tenures).
7. To increase the supply, quality and range of housing to meet the needs of the growing population and support economic growth, ensuring more quality homes are available to rent or buy.
8. To lead by example, by being a socially responsible private landlord.
9. To directly influence the reduction of empty properties across the District (purchase, renovate and rent).
10. To maximise additional income streams to the Council.
11. To provide a range of accommodation across the District to meet the needs of local people, including, sheltered accommodation, retirement homes, bungalows and family accommodation.
12. To be able to react more quickly to local opportunities.
13. To maximise the shareholder return on investment whilst delivering wider social and economic benefits to communities.

1.4. Scope of Services

The Dragonfly Developments Joint Venture with Woodhead Construction was established to deliver mixed use developments and to sell the units developed, either to the Council, or to third parties. Now that the Council has taken control of the vehicle and brought it into the Council group structure, there is the opportunity to examine the potential for the vehicle to undertake a broader scope of services that is more aligned to the Council's broader aspirations.

The above set of objectives have been compared with the potential services that could be delivered by the company and the following scope of services has been developed. as a wholly owned company (WOC) new housing and other linked undertook the following scope of services:

Service	Explanation
Mixed use / residential development	To undertake the development of mixed use and residential schemes, including purchasing sites, undertaking pre development works, including securing planning, developing the sites and selling any commercial / residential assets that are not to be retained. The company will also undertake development services for Council owned sites.
Property / commercial asset management	To undertake all management activities to run retained assets, including landlord services such as rent collection for private rented sector housing, intermediate housing, temporary accommodation and commercial assets.
Repairs and Maintenance	To undertake all repairs and maintenance activities for the retained assets of the WOC, the Council's operational portfolio and the Council's 5,000 unit housing stock, including both routine and major repairs / capital replacement works.
Temporary Accommodation Development / Purchase	To develop, as a part of the above services, or to purchase street properties, for the purposes of temporary accommodation.
Economic Development	To develop the strategy for, and to implement, the Council's economic development strategy to ensure 'a successful local economy, supporting the development of sustainable communities'.

1.5. Alternative options considered

To address the issues identified in the case for change a long list of options was developed which could meet some or all of the needs. The table below summarises each of these options

No.	Option
1	The Council deliver through a hybrid of current Council structure and a wholly owned company limited by shares (WOC), with company tasks being contracted from the Council and third parties.
2	The Council deliver through a hybrid of current Council structure and a wholly owned company limited by shares (WOC), with some staff and service transferred into the WOC.
3	The Council deliver all services through a wholly owned trading company limited by shares and deliver the services through contracts let back to the Council / Third Parties.
4	The Council deliver all services through a wholly owned trading company limited by shares (WOC) and transfer the majority of relevant staff and services into the company.
5	The Council directly deliver within the current Council structure.

No.	Option
6	For Options 2 to 5, the corporate entity established is an alternative structure such as a Company Limited by Guarantee (CLG) or Limited Liability Partnership (LLP).

Each of these strategic options have been compared against the project objectives to determine the extent to which they would meet them, as well as the feasibility or deliverability of the options. All options which were deemed able to meet the objectives to some degree were identified to 'explore further' in the Economic Case as shown in the table below.

No.	Option	Commentary	Take forward? (RAG Rating)
1	**Hybrid Light Staffing** - The Council deliver through a hybrid of current Council structure and wholly owned company (WOC), with company tasks being contracted from the Council and third parties.	**Service Delivery Approach** ***Council*** • Property / commercial asset mgt. • Repairs and Maintenance • Economic Development ***WOC - Let to Council*** • Mixed use / residential development • Temporary Accommodation Development / Purchase	
		This approach has the potential to address the majority of the Council's objectives, although there are some challenges in some areas. In particular: • The WOC is purely a development vehicle and cannot hold stock and undertake management activities. • The WOC cannot blend staff across a number of areas in an efficient manner; • The WOC is buying services from the Council and cannot approach its resourcing in a commercial way; and • The WOC cannot cross subsidise development and management.	
2	**Hybrid with WOC Staffing** - The Council deliver through a hybrid of current Council structure and wholly owned company (WOC), with some staff and service transferred into the WOC.	**Service Delivery Approach** ***Council*** • Property / commercial asset mgt. • Repairs and Maintenance • Economic Development ***WOC*** • Mixed use / residential development • Temporary Accommodation Development / Purchase	

<table>
<tr><th>No.</th><th>Option</th><th>Commentary</th><th>Take forward? (RAG Rating)</th></tr>
<tr><td></td><td></td><td>This approach has the potential to address the majority of the Council's objectives, although there are some challenges in some areas. In particular:
The WOC is purely a development vehicle and cannot hold stock and undertake management activities.
The WOC cannot blend staff across a number of areas in an efficient manner; and
The WOC cannot cross subsidise development and management.</td><td></td></tr>
<tr><td rowspan="2">3</td><td rowspan="2">WOC Light Staffing - The Council set up a wholly owned trading company and deliver the services through contracts let back to the Council / Third Parties</td><td>Service Delivery Approach
WOC - Let to Council
Mixed use / residential development
Property / commercial asset mgt.
Repairs and Maintenance
Temporary Accommodation Development / Purchase
Economic Development</td><td rowspan="2"></td></tr>
<tr><td>This approach has the potential to address the majority of the Council's objectives, although there are some minor challenges in some areas. In particular:
The WOC cannot blend staff across several areas in an efficient manner as they are purchased from the Council; and
The WOC is buying services from the Council and cannot approach its resourcing in a commercial way.
The WOC is exposed to all development and management risk.</td></tr>
<tr><td rowspan="2">4</td><td rowspan="2">WOC with Staffing - The Council set up a wholly owned trading company and transfer the majority of relevant staff and services into the company.</td><td>Service Delivery Approach
WOC
Mixed use / residential development
Property / commercial asset mgt.
Repairs and Maintenance
Temporary Accommodation Development / Purchase
Economic Development</td><td rowspan="2"></td></tr>
<tr><td>This approach has the potential to address the majority of the Council's objectives, although there are some minor challenges in some areas. In particular:
The WOC is exposed to all development and management risk.</td></tr>
<tr><td>5</td><td>Council Delivery - The Council directly delivers within the current Council structure.</td><td>Appendix 1 has examined the Council's powers that are relevant to the activities of the company. Due to the Council undertaking the activities with a strong driver for financial return then there is a requirement on the Council to undertake these activities through an external vehicle.</td><td>No</td></tr>
</table>

No.	Option	Commentary	Take forward? (RAG Rating)
6	**Corporate Entity Options** - For Options 2 to 5, the corporate entity established is an alternative structure such as a Company Limited by Guarantee (CLG) or Limited Liability Partnership (LLP)	Appendix 1 has examined the potential alternative corporate entity structures that could be used. This analysis concludes that due to the Council undertaking the activities with a strong driver for financial return then a Company Limited by Shares is the most appropriate option.	No

1.6. Conclusion

In summary, the Strategic Case has demonstrated that there are several critical issues facing BDC, however 'Dragonfly Developments' can play a significant role in mitigating issues and developing long term sustainable solutions for the benefit of the Council, economy, and its residents. Data has clearly demonstrated the scale of the challenge facing the Council, across the issues of: increasing homelessness rates, inadequately qualified and trained local population, insufficient housing supply, large volumes of empty properties, unfit for purpose private rented landscape, restricted Council funding, limited appropriate housing options for complex needs residents and unaffordable homes.

There are strategic options to address these issues which should be explored further in the next stage – the Economic Case.

2. Economic Case

This section forms the Economic Case of the business case for the income generation approaches. The purpose of the Economic Case is to assess the options that address the strategic need identified. The Strategic Case considered a long list of options by comparison against the project objectives to arrive at a short list for further consideration. In the Economic Case these shortlisted options will be assessed against:

- Project objectives and Critical Success Factors – the extent to which the options meet the project objectives and the attributes that the solution should have to be successful; and
- Benefits – the financial and non-financial benefits of each option

The section will then select a preferred option for further analysis in the remaining three cases.

2.1 Shortlisted Options

The Strategic Case has highlighted four potential options to address the Council's strategic objectives for a Local Housing Company / Delivery vehicle. These options are as follows:

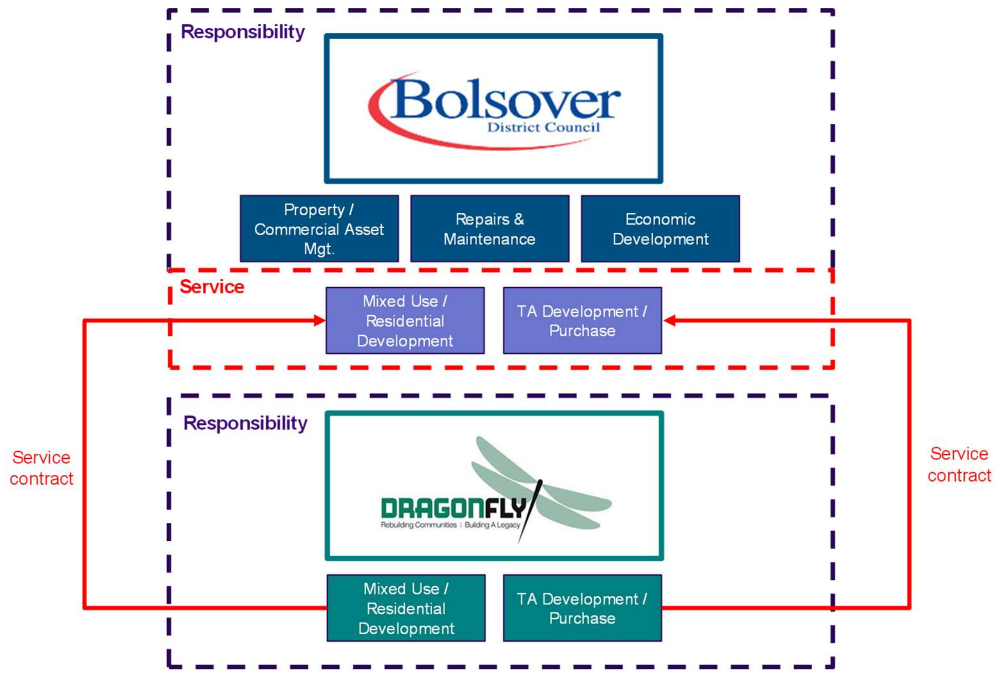
No.	Option	Explanation	Service Delivery
1	**Hybrid Light Staffing** - The Council delivers through a hybrid of current Council structure and wholly owned company (WOC), with company tasks being contracted from the Council and third parties.	Through this option the Council / WOC deliver the full scope of services with some being delivered directly by the Council and some through the WOC. The WOC is established with a very light staffing structure that commissions the services either through contracts back to the Council, or through contracts to third parties.	**Council** • Property / commercial asset mgt. • Repairs and Maintenance • Economic Development **WOC - Let to Council** • Mixed use / residential development • Temporary Accommodation Development / Purchase
2	**Hybrid with WOC Staffing** - The Council delivers through a hybrid of current Council structure and wholly owned company (WOC), with some staff and service transferred into the WOC.	Through this option the Council / WOC deliver the full scope of services with some being delivered directly by the Council and some through the WOC. The WOC is established with a comprehensive staffing structure to deliver its scope of services, although some specialist areas could be contracted from third parties.	**Council** • Property / commercial asset mgt. • Repairs and Maintenance • Economic Development **WOC** • Mixed use / residential development • Temporary Accommodation Development / Purchase

No.	Option	Explanation	Service Delivery
3	**WOC Light Staffing** - The Council set up a wholly owned trading company and deliver the services through contracts let back to the Council / Third Parties.	Through this option the WOC delivers the full scope of services. The WOC is established with a very light staffing structure that commissions the services either through contracts back to the Council, or through contracts to third parties.	**WOC - Let to Council** • Mixed use / residential development • Property / commercial asset mgt. • Repairs and Maintenance • Temporary Accommodation Development / Purchase • Economic Development
4	**WOC with Staffing** - The Council set up a wholly owned trading company and transfer the majority of relevant staff and services into the company.	Through this option the WOC delivers the full scope of services. The WOC is established with a comprehensive staffing structure to deliver its scope of services, although some specialist areas could be contracted from third parties.	**WOC** • Mixed use / residential development • Property / commercial asset mgt. • Repairs and Maintenance • Temporary Accommodation Development / Purchase • Economic Development

2.2 Key Financial and Non-Financial Benefits

In advance of undertaking the options appraisal this section explains each option and draws out the key financial and non-financial benefits of each.

Option 1 - Hybrid Light Staffing



The key features of this approach are as follows:

- The Council owns Dragonfly Developments as a 100% owned subsidiary vehicle.

- The responsibility for the scope of services is split between the Council and the WOC as follows:

Council Responsibility	WOC Responsibility
• Property / commercial asset mgt.	• Mixed use / residential development
• Repairs and Maintenance	• Temporary Accommodation Development / Purchase
• Economic Development	

- With this scope of services, the WOC is a development company only, in line with its current scope and the Council would retain management and repairs and maintenance services in house.

- The WOC is responsible for the services on the right, but it delivers these through purchasing them from the Council through service contracts.

- The WOC has a very light staffing model, largely operating with a Chief Executive Officer and contract management resource for the third party contracts.

- The vehicle would be funded through loans from the Council to undertake development, which would be repaid from development proceeds; and

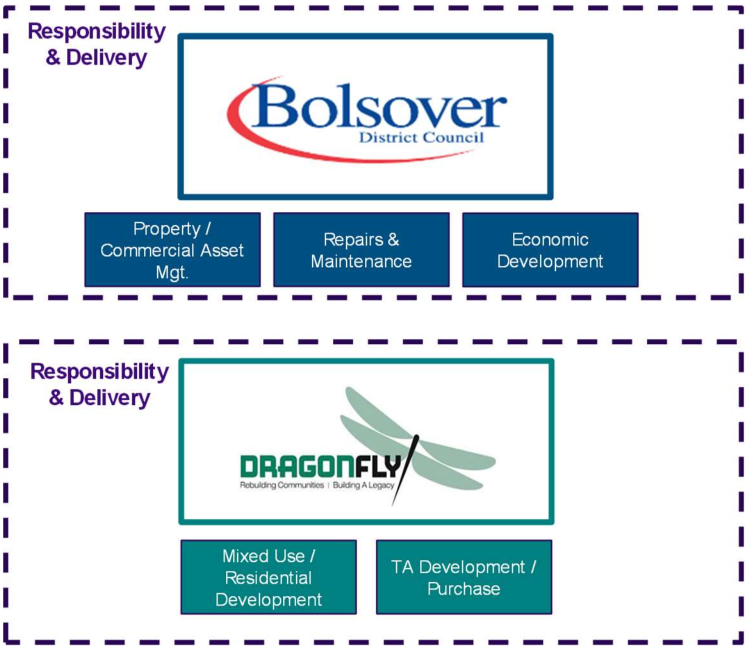
- Any surpluses would be distributed to the Council by way of dividend.

The key pros and cons of this approach against both financial and non-financial factors are detailed in the table below:

Pros	Cons
Financial	
The WOC has been established to act commercially and in line with its objectives. As a result, it is free of other Council responsibilities.	The Council will need to resource being on the Board of the WOC.
The WOC can recruit from the market outside of Council terms and conditions for its Chief Executive Officer / contract management staff.	The Council is not guaranteed a specific level of receipt, instead the vehicle will act at arm's length and not in the financial control of the Council.
The vehicle can generate financial returns from private development with a profit motive as the Council is using a trading company structure, something it could not do within the Council.	Financial returns can only be generated from development activity, not long-term management, thus not delivering long term income streams.
Financial risk is ringfenced to an external vehicle enabling the WOC's assets to be borrowed against.	As a company limited by shares, the WOC is likely to pay Corporation tax on its surpluses / profits.
	As the WOC is purchasing the services from the Council it is not able to put in place an efficient and effective staffing structure to deliver the scope of services for the best cost.
Non-Financial	

Pros	Cons
The Council can share risk with an expert party. The Council can share in risk and reward in order to deliver a viable programme.	Putting in place a WOC arrangement such as this takes time, and cost and appropriate governance arrangements need to be developed and operated for it to thrive.
Once established there is little to no ongoing procurement workload for the Council as the company is likely to be outside public procurement regulations.	The Council is establishing an arm's length organisation with its own autonomy, within the bounds of the shareholder agreement, as such the relationship needs to be managed.
The partnership can be set up with specific objectives to drive pace is desired, or to deliver some sites quicker than others.	The Council's land when transferred into the vehicle is no longer in the Council's control. It is possible for the WOC to borrow against this land from a third-party lender who would have security over it. As such, this stage the land would be at risk
By letting contracts back to the Council, there is no need for Council staff to be transferred to the new vehicle.	The Council need to be able to support the commercial pace of the vehicle this is challenging when Council governance processes require lengthy sign off processes for key items such as disposals or sign off of business plans.
	The Council lose overall control of the ongoing operational activities of the WOC.
	By letting contracts back to the Council the WOC cannot take strategic control of its staffing and resources, and as such will struggle to drive efficiency.
	By not pulling together asset management, repairs and maintenance and development it is not possible to have an integrated service across these areas which have significant synergies.

Option 2 - Hybrid with WOC Staffing



The key features of this approach are as follows:

- The Council owns Dragonfly Developments as a 100% owned subsidiary vehicle.
- The responsibility for the scope of services is split between the Council and the WOC as follows:

Council Responsibility	WOC Responsibility
• Property / commercial asset mgt.	• Mixed use / residential development
• Repairs and Maintenance	• Temporary Accommodation Development / Purchase
• Economic Development	

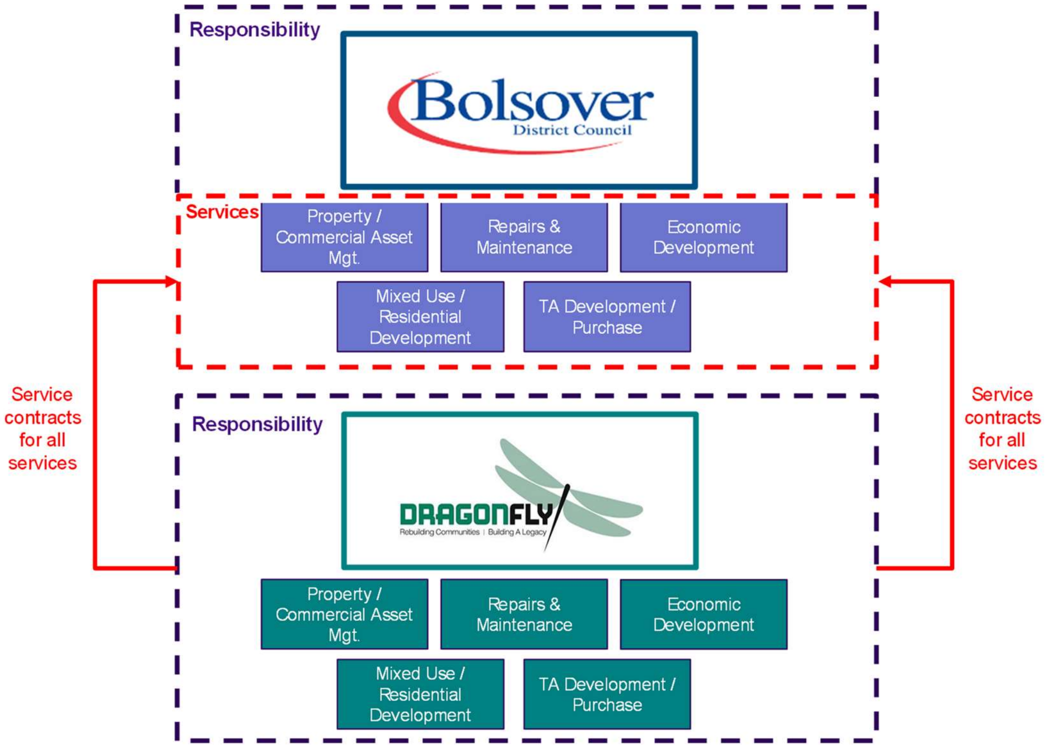
- With this scope of services, the WOC is a development company only, in line with its current scope and the Council would retain management and repairs and maintenance services in-house.
- The WOC is responsible for the services on the right and it delivers these through staffing the WOC with the relevant skill sets to deliver them, as such the team would include the Chief Executive Officer as well as a development team.
- These teams will be made up of staff already in the company, transferred from the Council (if relevant) and/or recruited from the market.
- The vehicle would be funded through loans from the Council to undertake development, which would be repaid from development proceeds; and
- Any surpluses would be distributed to the Council by way of dividend.

The key pros and cons of this approach against both financial and non-financial factors are detailed in the table below:

Pros	Cons
Financial	
The WOC has been established to act commercially and in line with its objectives. As a result, it is free of other Council responsibilities.	The Council will need to resource being on the board of the WOC.
The WOC can recruit from the market outside of Council terms and conditions for its Chief Executive Officer / development staff. Thus, competing with the development market.	The Council is not guaranteed a specific level of receipt, instead the vehicle will act at arm's length and not in the financial control of the Council.
The vehicle can generate financial returns from private development with a profit motive as the Council is using a trading company structure, something it could not do within the Council.	Financial returns can only be generated from development activity, not long-term management, thus not delivering long term income streams.
Financial risk is ringfenced to an external vehicle enabling the WOC's assets to be borrowed against.	As a company limited by shares, the WOC is likely to pay Corporation tax on its surpluses / profits.

Pros	Cons
As the WOC is employing its own staff to deliver the services it is responsible for it is able to put in place an efficient and effective staffing structure to deliver the scope of services for the best cost.	There are potentially significant costs in transferring staff, including TUPE arrangements.
Non-Financial	
The Council can share risk with an expert party. The Council can share in risk and reward to deliver a viable programme.	Putting in place a WOC arrangement such as this takes time, and cost and appropriate governance arrangements need to be developed and operated for it to thrive.
Once established there is little to no ongoing procurement workload for the Council as the company is likely to be outside public procurement regulations.	The Council is establishing an arm's length organisation with its own autonomy, within the bounds of the shareholder agreement, as such the relationship needs to be managed.
The partnership can be set up with specific objectives to drive pace if desired, or to deliver some sites quicker than others.	The Council's land when transferred into the vehicle is no longer in the Council's control. It is possible for the WOC to borrow against this land from a third-party lender who would have security over it. As such, this stage the land would be at risk.
By delivering development services directly the WOC cannot take strategic control of its staffing and resources, and drive efficiency.	The Council need to be able to support the commercial pace of the vehicle which is challenging when Council governance processes require lengthy sign off processes for key items such as disposals or sign off on business plans.
	The Council lose overall control of the ongoing operational activities of the WOC.
	By not pulling together asset management, repairs and maintenance and development, it is not possible to have an integrated service across these areas which have significant synergies.

Option 3 - WOC Light Staffing



The key features of this approach are as follows:

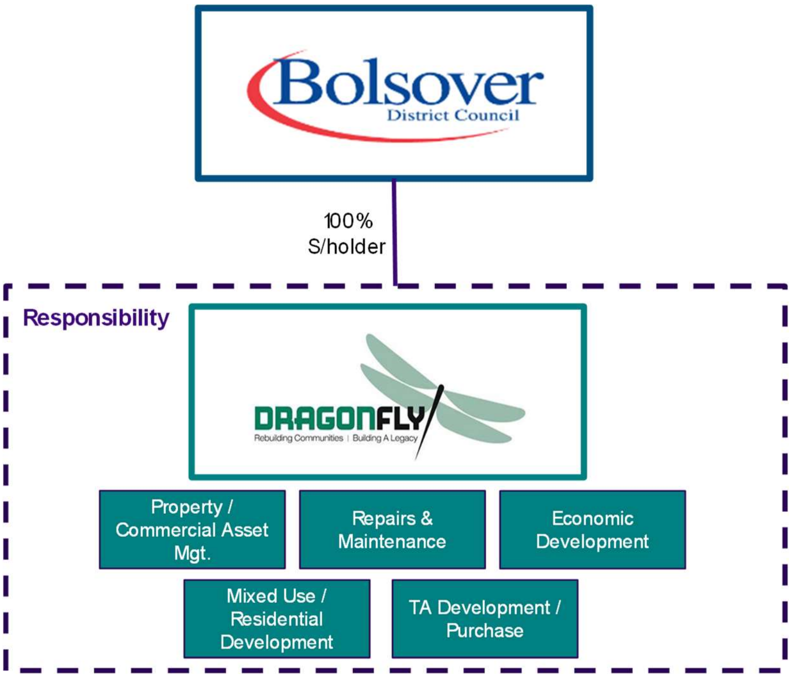
- The Council owns Dragonfly Developments as a 100% owned subsidiary vehicle.
- The responsibility for the scope of services is all undertaken by the WOC.
- The WOC is responsible for the services, but it delivers these through purchasing them from the Council through service contracts.
- The WOC has a very light staffing model, largely operating with a Chief Executive Officer and contract management resource for the third party contracts.
- The vehicle would be funded through a combination of proceeds from service contracts and loans from the Council to undertake its full scope of services, any loans would be repaid from WOC surpluses; and
- Any surpluses would be distributed to the Council by way of dividend.

The key pros and cons of this approach against both financial and non-financial factors are detailed in the table below:

Pros	Cons
Financial	
The WOC has been established to act commercially and in line with its objectives. As a result, it is free of other Council responsibilities.	The Council will need to resource being on the board of the WOC.

Pros	Cons
The WOC can recruit from the market outside of Council terms and conditions for its Chief Executive Officer / contract management staff.	The Council is not guaranteed a specific level of receipt, instead the vehicle will act at arm's length and not in the financial control of the Council.
The vehicle can generate financial returns from private development with a profit motive as the Council is using a trading company structure, something it could not do within the Council.	As a company limited by shares, the WOC is likely to pay Corporation tax on its surpluses / profits.
Financial risk is ringfenced to an external vehicle enabling the WOC's assets to be borrowed against.	As the WOC is purchasing the services from the Council it is not able to put in place an efficient and effective staffing structure to deliver the scope of services for the best cost.
Financial returns can be generated from development activity and management activity, thus delivering long term income streams.	
Non-Financial	
The Council can share risk with an expert party. The Council can share in risk and reward to deliver a viable programme.	Putting in place a WOC arrangement such as this takes time, and cost and appropriate governance arrangements need to be developed and operated for it to thrive.
Once established there is little to no ongoing procurement workload for the Council as the company is likely to be outside public procurement regulations.	The Council is establishing an arm's length organisation with its own autonomy, within the bounds of the shareholder agreement, as such the relationship needs to be managed.
The partnership can be set up with specific objectives to drive pace if desired, or to deliver some sites quicker than others.	The Council's land when transferred into the vehicle is no longer in the Council's control. It is possible for the WOC to borrow against this land from a third-party lender who would have security over it. As such, this stage the land would be at risk.
By letting contracts back to the Council, there is no need for Council staff to be transferred to the new vehicle.	The Council need to be able to support the commercial pace of the vehicle which is challenging when Council governance processes require lengthy sign off processes for key items such as disposals or sign off on business plans.
By pulling together asset management, repairs and maintenance and development it is possible to have as integrated service across these areas which have significant synergies.	The Council lose overall control of the ongoing operational activities of the WOC.
	By letting contracts back to the Council the WOC cannot take strategic control of its staffing and resources, and as such will struggle to drive efficiency.

Option 4 - WOC with Staffing



The key features of this approach are as follows:

- The Council owns Dragonfly Developments as a 100% owned subsidiary vehicle.
- The responsibility for the full scope of services sits with the WOC.
- The WOC is responsible for the full scope of services, and it delivers these through staffing the WOC with the relevant skill sets to deliver them, as such the team would include the Chief Executive Officer as well as teams for development, asset management, repairs and maintenance, temporary accommodation and economic development;
- These teams will be made up of staff already in the company, transferred from the Council and/or recruited from the market.
- The vehicle would be funded through a combination of proceeds from service contracts and loans from the Council to undertake its full scope of services, any loans would be repaid from WOC surpluses; and
- Any additional surpluses would be distributed to the Council by way of dividend.

The key pros and cons of this approach against both financial and non-financial factors are detailed in the table below:

Pros	Cons
Financial	

Pros	Cons
The WOC has been established to act commercially and in line with its objectives. As a result, it is free of other Council responsibilities.	The Council will need to resource being on the board of the WOC.
The WOC can recruit from the market outside of Council terms and conditions for its Chief Executive Officer and all service staff. Thus, competing with the development, asset management and other service markets.	The Council is not guaranteed a specific level of receipt, instead the vehicle will act at arm's length and not in the financial control of the Council.
The vehicle can generate financial returns from private development with a profit motive as the Council is using a trading company structure, something it could not do within the Council.	As a company limited by shares, the WOC is likely to pay Corporation tax on its surpluses / profits.
Financial risk is ringfenced to an external vehicle enabling the WOC's assets to be borrowed against.	There are potentially significant costs in transferring staff, including TUPE arrangements.
Financial returns can be generated from development activity and management activity, thus delivering long term income streams.	
As the WOC is delivering the services directly it is able to put in place an efficient and effective staffing structure to deliver the scope of services for the best cost.	
Non-Financial	
The Council can share risk with an expert party The Council can share in risk and reward to deliver a viable programme.	Putting in place a WOC arrangement such as this takes time, and cost and appropriate governance arrangements need to be developed and operated for it to thrive.
Once established there is little to no ongoing procurement workload for the Council as the company is likely to be outside public procurement regulations.	The Council is establishing an arm's length organisation with its own autonomy, within the bounds of the shareholder agreement, as such the relationship needs to be managed.
The partnership can be set up with specific objectives to drive pace if desired, or to deliver some sites quicker than others.	The Council's land when transferred into the vehicle is no longer in the Council's control. It is possible for the WOC to borrow against this land from a third-party lender who would have security over it. As such, this stage the land would be at risk .
By delivering services directly the WOC can take strategic control of its staffing and resources, and drive efficiency.	The Council need to be able to support the commercial pace of the vehicle which is challenging when Council governance processes require lengthy sign off processes for key items such as disposals or sign off of business plans.
By pulling together asset management, repairs and maintenance and development it is possible to have as integrated service across these areas which have significant synergies.	The Council lose overall control of the ongoing operational activities of the WOC.

2.3 Options Appraisal

This section of the Economic Case will undertake an appraisal of the different options to establish which best delivers against the Council's objectives.

This will be undertaken by comparing the options through a series of criteria, or critical success factors, that are extrapolated from the key objectives that the Council has set.

The table below details these objectives and the criteria that have been extrapolated from them, as well as an explanation of each.

Council Objectives	Critical Success Factor / Criteria	Explanation
1. To provide a mechanism for the Council to directly deliver its construction programme for both social housing, private housing and commercial projects.	A. Development of full housing spectrum	The approach enables the development of the full spectrum of housing including private and affordable.
	B. Development of commercial projects	The approach enables the development of commercial projects.
2. To contribute to meeting challenging housing delivery targets to meet population and housing growth projections.	C. Maximise housing delivery	The approach enables the maximisation of the delivery of housing of all tenures.
3. To provide good quality private rented accommodation across the District.	D. Private housing management	The approach enables the provision of housing management arrangements for private rented accommodation.
4. To utilise staff and skills effectively across the services to maximise outcomes.	E. Effective utilisation of staff	The approach enables the staff and skills to be utilised effectively across all of the different areas of synergy.
5. To maximise investment in commercial and retail property to generate a return on investment.	F. Investment into commercial / retail development	The approach enables investment by the Council / WOC into the development of commercial and retail property with an expressed purpose of generating financial return.
	G. Investment into commercial / retail management	The approach enables investment by the Council / WOC into the management of commercial and retail property with an expressed purpose of generating financial return.
6. To provide an avenue to enable sites to be developed which aren't viable for open market sales (private rent / other tenures).	H. Enables cross subsidy	The approach enables cross subsidy between developments, and between development and management activities.
7. To increase the supply, quality and range of housing to meet the needs of the growing population and support economic growth, ensuring more quality homes are available to rent or buy.	A. Development of full housing spectrum	The approach enables the development of the full spectrum of housing including private and affordable.
	I. Management of full housing spectrum	The approach enables the management of the full spectrum of housing including private and affordable.
8. To lead by example, by being a socially responsible private landlord.	D. Private housing management	The approach enables the provision of housing management arrangements for private rented accommodation.
9. To directly influence the reduction of empty properties	J. Purchase of empty properties	The approach enables the purchase of empty properties.

Council Objectives	Critical Success Factor / Criteria	Explanation
across the District (purchase, renovate and rent).	K. Renovation /operation of empty properties	The approach enables the renovation and operation of empty properties.
10. To maximise additional income streams to the Council.	L. Financial benefit	The approach maximises long term income streams to the Council as well as saving costs on delivery.
11. To provide a range of accommodation across the District to meet the needs of local people, including, sheltered accommodation, retirement homes, bungalows and family accommodation.	A. Development of full housing spectrum	The approach enables the development of the full spectrum of housing including private and affordable.
	I. Management of full housing spectrum	The approach enables the management of the full spectrum of housing including private and affordable.
12. To be able to react more quickly to local opportunities.	M. Provides a commercial agile vehicle	The approach provides a commercial and agile delivery vehicle outside the Council for the scope of services required.
13. To maximise the shareholder return on investment whilst delivering wider social and economic benefits to communities.	L. Financial benefit	The approach maximises long term income streams to the Council as well as saving costs on delivery.
	N. Development proceeds	The approach maximises development proceeds to the Council.
14. To balance risk and reward in delivering the Council's objectives	O. Development risk	The approach gives a high level of control to the Council over development risk.
	P. Management risk	The approach gives a high level of control to the Council over management risk.
	Q. Funding risk	The approach gives a high level of control to the Council over funding risk.

In order to assess the financial benefit to the Council for this comparative analysis of the 4 options, the comparable cost of service delivery has been calculated across the first five years to correspond with the development period. This assessment brings together:

- The total cost for the provision of the services
- The income generated from the services; and
- A Net Present Value (NPV) calculated to show the effective cost as at today.

This demonstrates the following comparable results

	Option 1	Option 2	Option 3	Option 4
Council Cost (NPV)	£34.0m	£33.9m	£34.3m	£30.7m
Rank	3	2	4	1

Scoring

These will each be scored on the following basis

Score	Explanation	Score
Addresses Fully	Criteria is addressed in full by the approach	3
Addresses Partially	Criteria is partially addressed by the approach	2
Does Not Address	The approach fails to address the criteria	1

The completed options appraisal is included within the table below

	Option 1 – Hybrid Light Staffing	Option 2 – Hybrid w. WOC Staffing	Option 3 – WOC Light Staffing	Option 4 – WOC w Staffing
A. Development of full housing spectrum	3	3	3	3
B. Development of commercial projects	3	3	3	3
C. Maximise housing delivery	2	2	2	3
D. Private housing management	1	1	2	3
E. Effective utilisation of staff	2	1	2	3
F. Investment into commercial / retail development	2	3	2	3
G. Investment into commercial / retail management	1	1	2	3
H. Enables cross subsidy	1	1	2	3
I. Management of full housing spectrum	1	1	3	3
J. Purchase of empty properties	3	3	3	3
K. Renovation /operation of empty properties	2	2	3	3
L. Financial Benefit	1	1	3	3
M. Provides a commercial agile vehicle	1	1	2	3
N. Development proceeds	2	2	3	3
O. Development Risk	1	1	2	1
P. Management Risk	3	3	2	1
Q. Funding Risk	3	3	2	2
Total	**32**	**32**	**41**	**46**
Ranking	**4th**	**3rd**	**2nd**	**1st**

2.4 Conclusion

The Options Appraisal has demonstrated a clear preferred option in the form of Option 4, for a WOC which incorporates the staff to deliver the full scope of services. The key factors that differentiated this option from the other three were as follows:

- Maximisation of housing delivery - By putting the WOC in control of all staffing and resourcing, as well as the full scope of services it can deliver more efficiently and therefore generate better returns to deliver additional housing
- Private housing management - only options 3 and 4 enable this service to be delivered effectively as the Council does not have the powers to operate private housing at scale. Option 4 scores higher due to its control over the staff and service entirely within the company enabling an integrated approach.
- Efficient and effective usage of staff - By undertaking all of the services within the WOC, the company can utilise the skills and capabilities of the team on multiple different workstreams in a less siloed fashion. The other options either divide the staff between organisations or do not maximise this potential by locating them in a single commercial entity.
- Investment into commercial / retail management - Option 4 is the only option that enables management of commercial and retail units with an expressed purpose of generating a profit.
- Enables Cross Subsidy - Option 4 maximises this potential as the full cross section of development and management is undertaken entirely within the control of the WOC, as such the WOC has the most control over costs and funding.
- Development proceeds - Option 4 generates the highest overall development proceeds.
- Risk - Option 4 scores worst on minimising risk, however, this is balanced by it maximising the return that can be generated which is a key requirement of the approach, as such it is not possible to score highly on both elements. The management of this risk is a key consideration of the Commercial Case.

3. Commercial Case

This section forms the Commercial Case of the business case for the preferred option of the scope of the WOC.

The purpose of the Commercial Case is to address any issues of commercial feasibility. It seeks to answer the question "can the proposal be effectively delivered from a commercial perspective?". It will outline how the preferred option of Dragonfly Developments being established to deliver the full scope of services with its own staffing resources will work and will highlight key commercial considerations and how they have been addressed.

- Other legal considerations
- Pensions

3.1 Company Structure, Funding and Governance

The Strategic and Economic Cases have established that Dragonfly Developments should continue as a company limited by shares. Now that the preferred option has identified the full scope of services to be undertaken by the WOC the company structure needs to be considered.

As detailed in section 2, the scope of services of the WOC will be as follows:

1. Mixed use / residential development
2. Property / commercial asset mgt.
3. Repairs and Maintenance
4. Temporary Accommodation Development / Purchase
5. Economic Development

Activities 1 to 4 relate to property portfolio development, acquisition, and management, whereas activity 5 is a service function that drives this activity.

There are significant structural, funding and governance considerations in how these activities are delivered by the WOC. This section considers these in turn, as follows:

- Company Structure
- Funding Arrangements
- Governance Arrangements

Company Structure

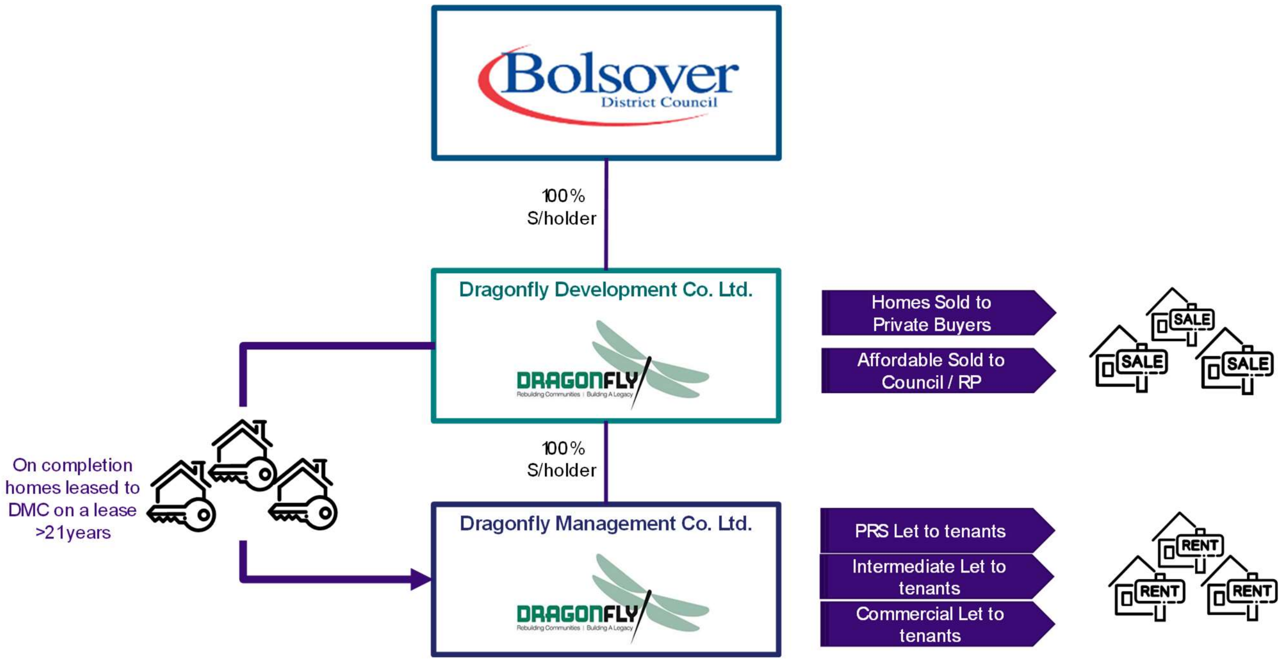
Tax considerations

The WOC will be looking to develop a portfolio of sites for housing or other development. The main activity which will be undertaken with the portfolio are expected to be:

- Develop and sell to private buyers;
- Develop and let to private individuals under a private rental scheme ("PRS");
- Develop affordable housing and sell to either the Council or Registered Providers;

- Develop non-housing sites for mixed use schemes such as retail and car-parking which will most likely be let.

The existing structure comprises the Council as sole shareholder of a single entity in the form of Dragonfly Developments Ltd. which is established as a company limited by shares. There are potential tax advantages in splitting the development activity from the management activity within the company structure and establishing a new Dragonfly Group (DG). This is demonstrated in the diagram below:



The diagram shows the following:

- Dragonfly Development Co. Ltd (DDC) would be established as a development company and would be wholly owned by BDC, as a Company Limited by Shares.

  The new Dragonfly Management Co. Ltd. (DMC) would be established as a management company and would be a wholly owned subsidiary of DDC as a company Limited by Shares, the two entities would form DG.

- DDC would undertake development of all the housing and commercial units on its sites, and undertake development services for the Council on its sites.

- Once developed, DDC would sell its units that are not to be held for letting to either third party buyers or the Council / an RP.

- Those units that are to be let are transferred to DMC, likely via a long lease (longer than 21 years).

- DMC then let these units to third party tenants.

The driving factors, from a tax perspective, that have driven this structure are as follows.

- By including a management subsidiary in the structure, in the form of DMC, and then transferring properties to it via long term lease is to enable VAT recovery on the residential development costs incurred by DDC. If DDC granted short leases directly to tenants this VAT would largely not be recoverable.

- By including DMC as a subsidiary to DDC then a group can be formed for Corporation Tax purposes to facilitate the offsetting of profits and losses between the entities.

The more detailed key tax considerations that have been accommodated in this arrangement are as follows:

- The land for development can be transferred to DDC with no Stamp Duty Land Tax (SDLT) as SDLT group relief should be available.

- VAT incurred on all costs attributable to the sale or long leases on newly developed properties will be recoverable, apart from where legislation blocks this e.g., VAT on white goods.

- DDC should not form a VAT group with the Council, as this could result in BDC losing its preferential partial exemption status that applies to Councils.

- No SDLT is incurred on the grant of the lease from DDC to DMC as SDLT group relief should be available.

- No taxable profit should arise on the grant of the lease from DDC to DMC.

- Corporation tax would be due on DDC's profits from the sale of properties to third party buyers and the proceeds from DMC

- DDC should be able to obtain tax relief for interest paid to the Council on any loans to fund its operations, subject to these loans being at commercial rates. However, no tax relief will be available in respect of dividends paid.

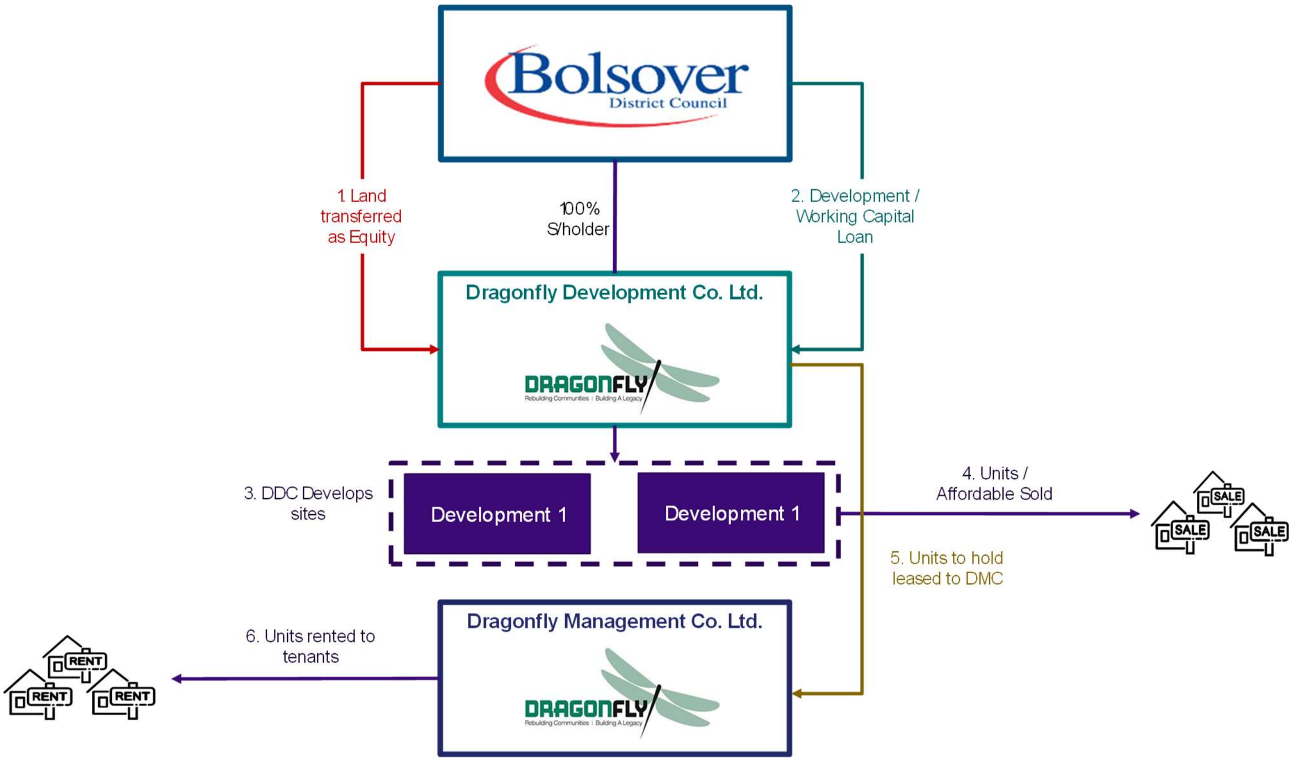
- Corporation tax would be due on DMC's rent received from letting the units, although relief would be available for rent paid to DDC.

- Corporation Tax group relief should be available for profits and losses between DDC and DMC

Funding Arrangements

DG is a group undertaking property development / acquisition, property management, repairs and maintenance activity and Economic Development services. It is critical to understand how the company will operate in practice and, in particular how it will be funded. The two diagrams below capture the potential funding arrangements for the group.

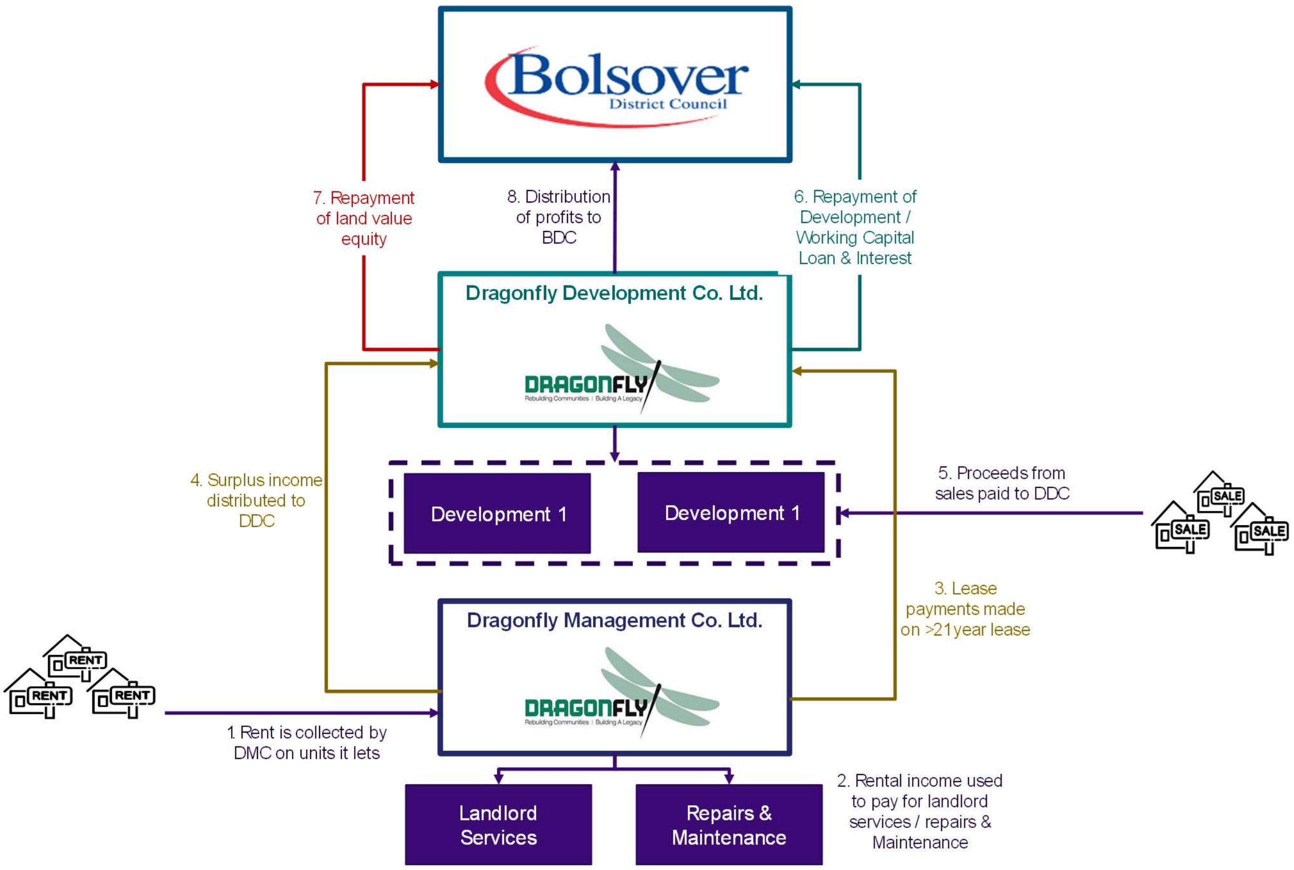
Step 1 - Funding the development of units



The key steps in the above are as follows:

1. For sites to be developed by DG, land is transferred to DDC as equity. There is no upfront receipt for the land but it has an equity stake in the vehicle for the value of the land. Fore sites where DG are only undertaking development services for the Council there is no land transfer.
2. DDC develop the site it has received, utilising a development loan from the Council, secured on the land. There may also be the need for a working capital loan to fund other costs, such as office / salaries etc. The terms of these loans are considered further in the Subsidy Control section below:
3. DDC undertakes all predevelopment activity, secured planning and then develops the sites.
4. Any residential / non-residential units, that are not to be held, are sold to third party buyers.
5. Those units that are to be held are leased to DMC on a >21-year lease.
6. Units are rented to tenants.

Step 2 - Repaying development debt



The key steps in the above are as follows:

1. Rent is collected by DMC for all the residential and commercial units it lets.
2. This rental income is collected by DMC and utilised to pay for the landlord services for the units that DMC own as well as for responsive and planned repairs. To achieve this, the funds will also be used to establish a sinking fund to fund maintenance costs for these units.
3. Out of the net rent remaining the lease payments are made to DDC for the units that have been leased to DMC on long leases (>21 years).
4. Any remaining surplus after paying for these elements can either be retained within DMC in reserves or be distributed to DDC, or more likely a combination of the two.
5. DDC receive all proceeds of sale for the units it has developed and sold to third parties.
6. A combination of the profits and lease payments from DMC and the proceeds of sale of units to third parties are used to repay the loans to the Council, including interest; and
7. To repay the land value equity; and
8. Finally, any remaining surplus after paying for these elements can either be retained within DDC in reserves or be distributed to BDC as dividends, or more likely a combination of the two.

Step 3 - Funding of other activities

As well as the development and operation of the units developed by DG there are a series of other activities that will be undertaken by the new group. The funding arrangements for each are analysed below:

Repairs and Maintenance for Council owned properties (HRA housing and operational)

A service contract will be agreed between DG and the Council for the provision of repairs and maintenance services. This will incorporate necessary funds to undertake management activities. A budget will be agreed to undertake the works that can be drawn down on. It is assumed that this activity will be self-financing with a small element of profit for DG. DG will need to charge a level of profit for these services as it is assuming the risks of delivery. To be commercial it needs to be rewarded for the level of risk is takes in undertaking this role. In practice, the level of profit will be agreed as part of setting up the service agreement between the WOC and the Council.

Temporary Accommodation (TA)

DG will be responsible for developing / acquiring temporary accommodation, operating it and undertaking appropriate repairs and maintenance activity. The arrangements for funding will be in line with the development activity above, as follows:

1. Acquisition / development activity will be funded by loans from the Council.
2. Units will then be let to individual tenants, based on an assessment of their qualification for TA.
3. These residents will receive Local Housing Allowance payments which are then paid to DMC.
4. This rent is used to fund landlord services, repairs and maintenance costs
5. The surplus used to repay the debt back to BDC

Development Services

A service contract will be agreed between DG and the Council for the provision of Development Services on Council owned sites. This will incorporate necessary funds to fund salaries and relevant overheads. It is assumed that this activity will be self-financing with a small element of profit for DG for the risks of delivery (10% profit).

Economic Development

Again, a service contract will be agreed between DG and the Council for the provision of Economic Development services. This will incorporate necessary funds to fund salaries and relevant overheads. It is assumed that this activity will be self-financing with a small element of profit for DG for the risks of delivery.

Subsidy Control

The subsidy control regime in the UK is governed by the Subsidy Control Act 2022 (the Act), which came into force on 4 January 2023. Under the provisions of the Act, subsidies made by public bodies (such as the Council) to enterprises (which would include DDC and DMC) are generally prohibited unless there is an available exemption, or if the proposed subsidy conforms to the subsidy control principles. A financial measure will only be a subsidy if public monies confer an economic advantage on an enterprise that is specific (i.e., it benefits just that enterprise) and that economic advantage is capable of having an effect on competition within or outside the UK.

For the purposes of this business case, and based on our interpretation of the objectives, DDC will be an enterprise operating in a market for subsidy control purposes. As such, any financial support provided by the Council that is on more favourable terms than is available to similar businesses on the open market is likely to be seen as a subsidy (and, most likely, one that would not conform to the subsidy control principles, and which would therefore be unlawful). It follows that any financial support given to either DDC or DMC will need to be provided on commercial terms i.e., terms that would be available to other similar businesses. Where that support is provided in the form of a loan, the features of that loan, such as the term, interest rate, security position and gearing will need be no more favourable than would be available on the open market by commercial lenders. This is known as the Commercial Market Operator principle.

Where seeking to rely on this principle, it is important that the Council obtains sufficient evidence to show that the financial assistance provided could be made available in the market by a private lender with commercial objectives. Any evaluation of compliance should be undertaken with input from experts with appropriate skills and experience (in this case, a firm of public sector treasury management advisers).

On this basis, the working capital and development loans would need to be made from the Council to DDC on equivalent rates to those obtainable in the open market by other developers.

Governance Arrangements

DG will need to be formed as a group of companies with the appropriate legal arrangements that underpin them.

Constitution and Legal Agreements

A set of documents will underpin the legal arrangements for both DDC and DMC. These include:

- Two Shareholders Agreements that are agreed between BDC and DDC and DDC and DMC.

- This will be supplemented, on an ongoing basis, with the various documentation arising from the funding and acquisition structures of the companies such as any lease structure documents.

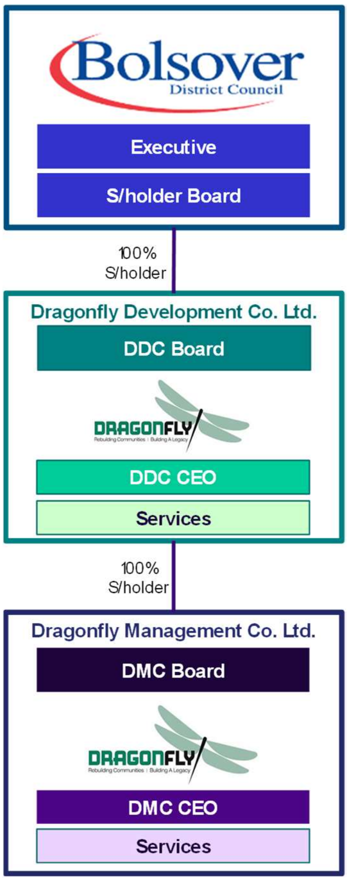
- In addition, loan documentation will be put in place to cover any asset-based loan transactions and working capital (if required).

- Land and property transfer and development agreement documentation is required in the round and may also apply to the companies depending on precise deal structures.

Governance

Both DDC and DMC are limited companies with their own Articles, business plan and Board of Directors. DDC is 100% owned by the Council and DMC would be 100% owned by DDC. Directors of each company have a duty to act in the interests of their respective companies, even if there is a conflict with the interests of the other entity or the Council. However, in view of the rationale behind DDC and DMC, and their structures, it is unlikely that significant conflicts would arise. As the 100% owner of DDC, who in turn own DMC, the Council can protect their interests by adding to or changing directors.

The Shareholders' Agreements entered in to by the three parties will set out the governance arrangements, delegated functions, and decision-making structure. The diagram below shows the potential governance structure for the Group and how it interacts with the Council.



The key roles and responsibilities required from the Council / DDC / DMC as the Company is established are:

Council

- A shareholder Board will commonly be established to fulfil the day-to-day shareholder responsibilities of the Council such as addressing any Reserved Matters, such as reviewing and approving the Business Plan. this group will often be constituted by a combination of officers and Members. It is commonly not a decision-making body, but its recommendations are reviewed and adopted by the Executive

- Often an Internal Working Group is established to operationally support this group, this is not shown in the diagram. This is a more informal group that undertakes tasks to support the Council's role in the Company.

Company

- The Council will need to nominate individuals to the Board of Directors for the 2 entities, considering their scope of works, that will be responsible for key strategic decisions of DDC and DMC. This Board should cover a breadth of experience including property development, management, funding, and economic development in the context of the local area, and in managing a private company.

- A Chief Executive Officer (CEO), shown in the diagram, will often have delegated responsibilities from the Board to run the business in line with the agreed Business Plan

- Beneath this individual will be a service delivery structure that enables management and delivery of the Business Plan

- Putting in place appropriate service agreements for any services purchased by the Companies from BDC and by the Council from the companies; and

- Funding agreements to underpin any working capital facility and specific loans to support the investment activities of the company.

Board of Directors

DDC's structure and make-up of the Board is at the discretion of BDC, and DMC's is at the discretion of DDC, although as the entities are established the Council is likely to have a large say in the DMC Board make up. It is, however, important that the Board members hold the necessary skills and expertise to discharge their responsibilities and run the companies. It is also important that the Board of Directors act completely independently from the Council and from each other. Also, the directors' terms of office should be such so as to ensure long term stability and consistency of decision making. Typically, the Board could be established with officers, Members or a combination of both, whoever is nominated will need to be able to address the challenges in managing conflicts of interest considering their broader Council role. Accepted practice advised by the Institute of Directors is to include 4 to 7 Board members on the Board.

Other potential members of the Board, if the Council desire, would typically be Non-Executive Directors (NEDs). NEDs should have relevant and adequate experience in the asset/property sector. NEDs offer objectivity and provide valuable industry knowledge.

The role of the Board of Directors is to act on behalf of the shareholders in running the business. The Directors of the Board will provide a report to the Council on the performance of the company, as well as its future plans and strategies at the annual general meeting (AGM).

Reserved Matters

The Directors are responsible for the management of the Companies business, for which purpose they may, with the exception of the matters requiring Shareholder consent and expressly reserved pursuant to Shareholder Reserved Matters, exercise all the powers of the Company. One key Reserved Matter will be the agreement of the DDC's and DMC's Business Plans. The Shareholders Agreement should require that this Business Plan is developed and approved by the companies, but its overall approval is reserved to the Council and DDC as the shareholders of the 2 entities. They will review this Business Plan in detail and approve them. Appendix 4 shows other typical Reserved Matters for a venture of this type.

Internal Working Group

The Council should consider establishing an Internal Working Group. As the Council is the debt provider for the Company, the Internal Working Group will be a sounding board and discussion forum to consider the Council's interests when making decisions. This will also help manage the relationship between the Council and the Companies. This should include key stakeholders within it with expertise from Finance, Legal and Property, it could include statutory officers if the Council wishes.

3.2 Company Resourcing

DDC and DMC will be established as full-service companies incorporating the appropriate staff to govern and manage the business, to deliver the services and to manage contracts with third parties such as construction contracts and architects.

Governance and Management Resource

DDC's staffing structure currently accommodates a Chief Executive Officer, staffed as 20% of the time of an internal Council employee. This is supplemented by the support of 2 Directors. These are again internal Council officers who will spend 20% of their time working for DDC.

The change in scope of DDC and the addition of DMC will necessitate additional resource for the management of the business. This is planned to include a full time Chief Executive Officer, although this could be a joint role across the 2 entities if a candidate with appropriate skills can be sourced. This would be supplemented by a management team of service leads and administrative resource to address company secretariat activities. It is assumed that the above 2 Directors will become full time to provide this resource.

In addition, HR, Finance and ICT support will be needed which could be purchased from BDC or sourced from third parties

In addition to management resource there will need to be full-service teams for each activity. These are considered in turn below:

Mixed Use / Residential Development

DDC is already in operation and undertaking development activity. The current team is made up of the following

- Project Managers x 2
- Site Managers x 2
- Quantity Surveyor x 1
- Assistant Site Manager x 1

This team is likely to need to be supplemented based on the level of activity to be undertaken as per the DDC Business Plan. This resourcing need will be developed on an ongoing basis and staff recruited from the market to undertake the development activity.

Property & Commercial Asset Management / Repairs & Maintenance

The Council already undertakes some elements of this work itself and these functions will be transferred to DMC. There are several TUPE considerations in this transfer which are considered in the TUPE section below. It should be noted, however, that the level of activity is likely to increase as a result of the new assets developed by DDC that will be retained and need to be managed.

As a part of this transfer / resourcing process the level of activity of the new entity, as well as the delivery practices / commercial approach, will need to be considered and the Business Plan developed accordingly. This will result in the development of the structure and scale of the new team which will result in a resourcing plan addressing recruitment and team restructuring needs

Temporary Accommodation Development / Purchase

The development aspects of this function will be addressed within the residential / Mixed Use development section above. Additional resources will be needed to undertake the acquisition elements. It is unclear at this stage whether there would be any resource transferred from the Council to undertake these activities. If not, they would be sourced from the market.

Economic Development

The Council already undertakes this work itself and these functions will be transferred to DDC. As per the above, there are a number of TUPE considerations in this transfer which are considered in the TUPE section below.

Third Parties

Several elements of delivery will be sourced from third party contractors and consultants, including, but not limited to:

- Architects;
- Cost Consultants;
- Surveyors;
- Construction activities; and
- Sales / Letting agents.

The DDC and DMC teams will be responsible for procuring these arrangements and the contract management of their activities. The key procurement considerations are addressed in the Procurement Considerations section below.

TUPE Considerations

Implementing the proposed arrangements above will raise several people issues and the following issues will need to be considered.

Unless there is a fundamental change proposed in the nature of the work being done by Council employees, TUPE is likely to apply to this arrangement as it will fit into the definition of 'service provision change' under TUPE.

This will mean that the contracts of employment of those employees engaged in the undertaking proposed to be transferred to DG will transfer automatically. Both the Council and DG will need to ensure that their obligations in relation to TUPE are met. For example, they will need to comply with their respective duties to inform and, in some cases, consult with appropriate representatives of any of their employees who may be affected by the transfer, even if those employees are included in the transfer.

Whilst a local authority looking to implement this arrangement will typically accept the liability associated with the transfer, discussions will need to take place to ensure that DG is able to discharge any liabilities it faces as a result of the TUPE transfer. It is planned that staff transferred will continue in the Local Government Pension Scheme. Dragonfly Developments is qualified as an umbrella organisation and as a result no additional employer contributions will be required under this arrangement.

3.3 Procurement Considerations

Procurement is an important consideration both for the Council and for DG. This section will firstly consider procurement from the point of view of DDC and DMC. It will then consider the position for the Council.

Procurement of works and services by DDC and DMC

DDC's current and anticipated future remit is for it to operate as a commercial company with an overriding objective to generate returns to the Council through profits. This is a helpful starting point in demonstrating that it will fall outside the remit of the Public Contracts Regulations 2015 (the Regulations), but there are other factors to consider. The key question is whether DDC would be a contracting authority. If it is, it would need to procure works and services in accordance with the Regulations.

A contracting authority is defined in regulation 2(1) as being "*the State, regional or local authorities, bodies governed by public law or associations formed by one or more such authorities or one or more such bodies governed by public law…*". For the purposes of this business case, the relevant test is whether DDC and DMC are bodies governed by public law (BGPL). If the companies are considered a BGPL under the Regulations, then they will meet the definition of a contracting authority and will be required to conduct procurement in accordance with the Regulations.
Regulation 2(1) defines a BGPL as a body which meets **all** the following characteristics:

- They are established for the specific purpose of meeting needs in the general interest, not having an industrial or commercial character.
- They have legal personality; and
- They have any of the following characteristics:
  - They are financed, for the most part, by the State, regional or local authorities, or by other bodies governed by public law; or

- They are subject to management supervision by those authorities or bodies; or
- They have an administrative, managerial or supervisory board, more than half of whose members are appointed by the State, regional or local authorities, or by other bodies governed by public law.

If any of the limbs above are not satisfied, the company would not be classified as a BGPL and would not be considered a contracting authority within the meaning of the Regulations. Subject to comments that follow on the Council's procurement position and more detailed legal advice following the agreement of the final structure, the Council's legal advisors headline view is that the corporate structure can be set up in a way that both DDC and DMC fall outside the Regulations, giving both companies the freedom to operate free of public procurement rules. However, as we outline below, there may be an advantage in having DMC in particular, subject to the procurement rules.

For DDC, as a commercial company, it is typically seen as an advantage not to be bound by the Regulations. However, many local authority companies continue to procure in line with the Regulations to ensure that they continue to obtain best value in all their activities. This is achieved by inserting specific requirements into a shareholder agreement that links the Council and the companies concerned.

Procurement by the Council

DDC is operating as a purely commercial entity under the proposed model. It is, in essence, a private developer operating in the marketplace like any other. The Council is the shareholder in DDC, but DDC is not providing any specific services to the Council (in the sense of a works/services contract as defined by the Regulations). The situation could be argued to be different for DMC, which is providing repairs and maintenance services and economic development services to the Council, which is likely to be considered a contract for services under the Regulations. To enable the Council to award these services to DMC directly without the need for a wider public procurement exercise, the Council can look to structure the arrangement to take advantage of Regulation 12 of the Regulations, which provides that a contracting authority (in this case, the Council) can make a direct award to a subsidiary if certain requirements relating to control, management and financial structure are complied with. This is a common arrangement, but the precise structure will depend to a large degree on the level of control that the Council wishes to have over each of DDC and DMC, although the fundamentals of the structure as set out in this business case would remain.

It is important to note that the above is a broad summary of the relevant procurement issues. The final position will be determined upon finalising the group company structure, at which point the Council's preferred procurement position should be confirmed with its legal advisers to ensure it can be accommodated.

3.4 Conclusion

The Commercial Case concludes that there are no commercial considerations that would restrict or prevent the establishment of the Dragonfly Group

The proposed approach provides an appropriate structure that addresses the strategic objectives and priorities. The implementation of the DG structure with the appropriate legal and governance arrangements will enable the delivery of the full scope of services to be funded in an efficient and potentially viable way utilising a Subsidy Control compliant funding approach and will enable the levels of control required for the Council.

Establishment of DDC and DMC will enable the Council to manage risk via a broader housing ecosystem within its control that can address housing development, sale and operation and give it the ability to utilise a flexible funding model that is appropriate for each transaction.

4. Financial Case

The Financial Case sets out the financial implications of the implementation of the preferred option of the Dragonfly Group being established to deliver the full scope of services with its own staffing resources, including the costs in establishing the entities and operating them on an ongoing basis. It also details the funding approach and the proposed financing arrangements. The Financial Case demonstrates the affordability of DG, considering all potential funding sources.

The financial implications of this preferred option and its affordability will be assessed within this section.

4.1 Approach

An operational scenario has been developed to demonstrate the affordability of DG. It has been assumed that DG is established with DDC and DMC. This group will deliver the set of services listed below with the associated activity detailed within the table.

DG Operational Area	Approach
Mixed use / residential development	It has been assumed that DG delivers the current programme of sites identified by the Council as detailed at Appendix 2. 75% of these sites will be delivered as Development Services provided by DG, whilst the sites are retained by the Council. 25% of the sites are transferred to DG for it to fund and develop in full. Note - In practice this will be decided on a site by site basis based on development risk and unit type.
Property / commercial asset management	It has been assumed that 9% of units that have been developed are retained for management (26 units). These have been retained in the same ratio of mix and tenure as for the development assets with a blend of market rented and discounted market rented units. In addition and purchased Temporary Accommodation units are also managed.
Repairs and Maintenance	It has been assumed that the Council's repairs and maintenance function is transferred into DG and the Companies then undertake all repairs and maintenance activities for the 5,000 housing units, operational buildings and the DG retained portfolio. The service for the Council's housing and operational portfolio will be funded by a service agreement from the Council.
Temporary Accommodation Development / Purchase	It has been assumed 10 units per annum for the first 10 years, funded by a loan from the Council. These are then operated within DG with income matching the Local Housing Allowance rate.
Economic Development	It has been assumed that the Council's Economic Development team is transferred into DG and the service is delivered back to the Council, funded by a service agreement.

DG Operational Area	Approach
Management Team	The vehicle will employ its own Chief Executive officer and management team to operate DG.

4.2 Dragonfly Group Staffing and Costs

In order to deliver the above set of services an appropriate staffing structure is required. The table below details the assumed level of staffing for each of the service areas:

DG Operational Area	Full Time	Part Time	FTE
Mixed use / residential development	6	0	6
Property / commercial asset management	11	17	17.1
Repairs and Maintenance	60	0	60
Temporary Accommodation Development / Purchase	Within above	0	Within above
Economic Development	8	4	10.9
Management Team	3		
Total	**88**	**21**	**97**

It has been assumed that those staff currently operating within the Council undertaking these tasks will be transferred into the vehicle under TUPE arrangements on the same terms and conditions. An allowance of £50k has been included within the financial analysis to fund the necessary work to enable this to occur.

When this staff base is modelled within the vehicle it results in the following annual expenditure budget.

DG Operational Area	23/24'
Mixed use / residential development	£357,500
Property / commercial asset management	£1,570,206
Repairs and Maintenance	£5,893,915
Economic Development	£281,546
Management Team	£362,500
Total	**£8,465,667**

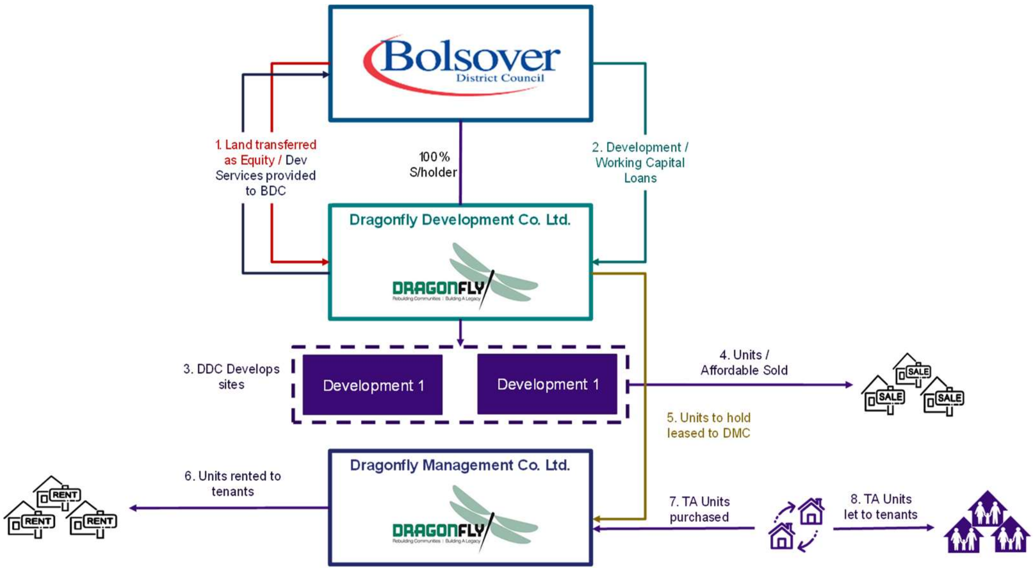
This demonstrates an ongoing cost for the vehicle of **£8.5m** per annum to be recovered from the broader activities of the company. This will be assessed as part of overall affordability below

It should be noted that the set-up costs of DG beyond the TUPE costs have not been included within this analysis as it has been assumed that these do not need to be recovered from the vehicle.

4.3 Affordability Approach

The Commercial Case has demonstrated the delivery approach for DG. For the Financial Case this structure is applied to the specific arrangements above. The diagrams below explain this approach, including the numbers of units and assumed level of activity:

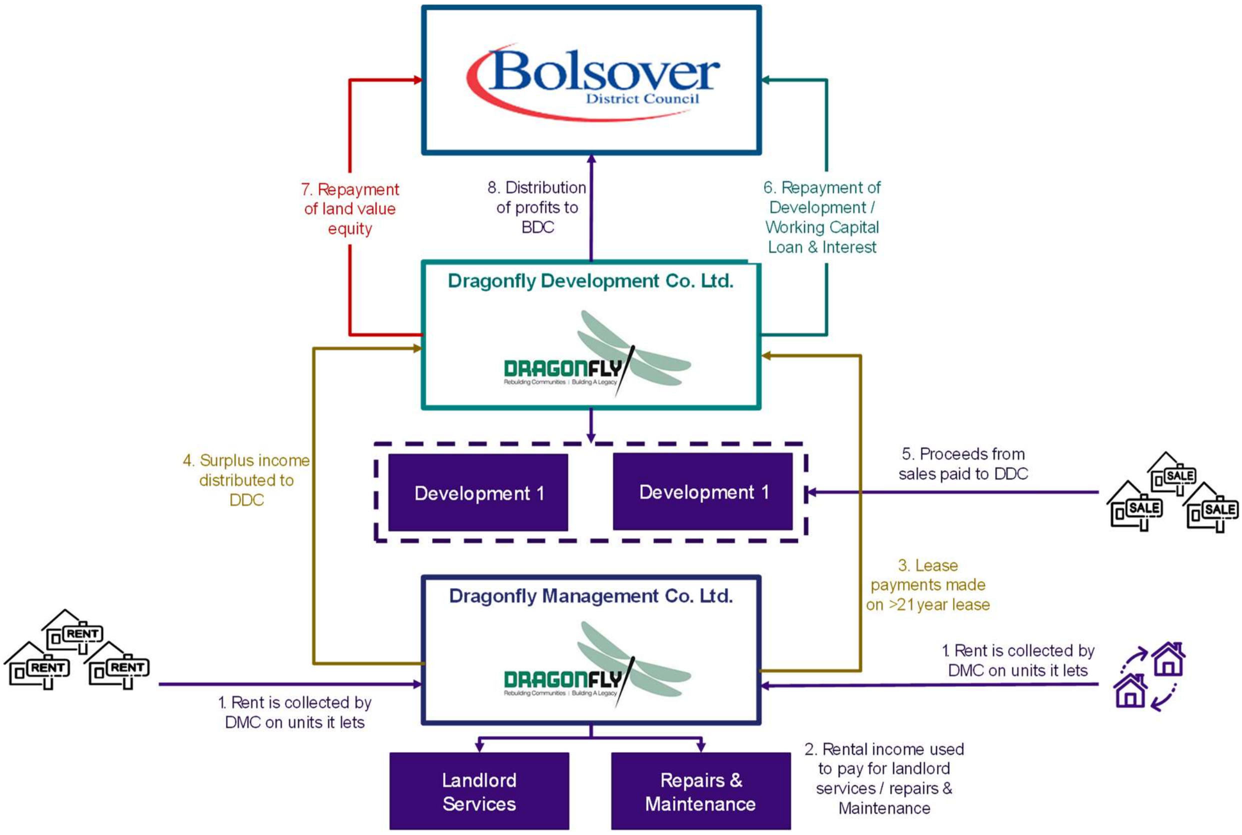
Step 1 – Development / Sale / Letting of the Pipeline of Homes



The diagram shows the following:

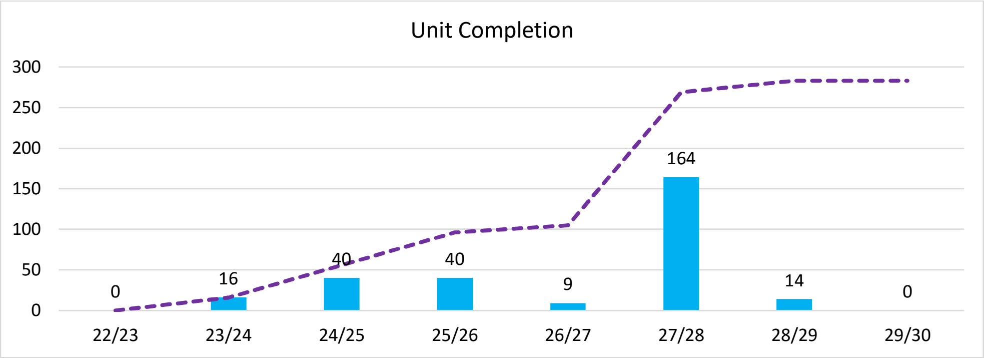
1. 25% of the land for the pipeline of sites at Appendix 2 is transferred to the vehicle as equity as and when it is required for development. There is no receipt to the Council at this stage but the value of the land is agreed. 75% of the sites are developed under a service contract between DG and BDC.
2. Development loan funding is drawn down into the vehicle to fund the development activities of DDC. The loans are made at a rate of 7% and are funded by PWLB borrowing taken out by the Council at approximately 4%. As a result, there is a net income stream to the Council for the difference between these 2 rates of 3%
3. DDC undertakes the development of these sites delivering a total of 283 units across a 5-year time horizon
4. 26 units are leased to DMC to be held and operated
5. 26 units are rented to individual private rented / intermediate tenants
6. 10 TA units are purchased per annum for the first 10 years of the company utilising loans from the Council. Total lending for this activity is estimated to be £13.85m estimated to at an approximate cost of £115k per unit.'
7. TA units are rented to qualifying homeless tenants at an LHA rent

Step 2 – Funding of development / management activity



1. Rent is collected on the 26 units held from development and TA units purchased at a rate of 10 per annum over 10 years.
2. Rental income from these units is used to fund landlord services and repairs and maintenance for these units
3. A ground rent is paid for the 26 units leased to the company. For this analysis this has been assumed to be a nominal ground rent. This will need further review as the vehicle is established
4. Surplus income generated by DMC is distributed to DDC
5. Proceeds from asset sales are realised by DDC. This totals c. £63.3m across the 5-year development programme
6. Debt is repaid from surpluses. The total debt is repaid by the end of the 5-year development period.
7. The land value equity is repaid
8. Any other profits are distributed to BDC by way of dividend.

The units developed total 283, the development profile for these across the 5-year period is shown in the graph below



Step 3 - Services to the Council

As well as the above activities DG is also delivering a set of services to the Council as follows:

- Repairs & Maintenance - for 5,000 Council homes and the Council owned buildings.
- Economic Development - Taking on this function in full.
- Property / Commercial Asset Management
- Mixed use / residential development services for Council owned assets

It has been assumed that the full functions are transferred into DG for these at the same cost levels, but that due to the commercial approach of DGs and synergies between development, management and strategic services a 10% efficiency can be achieved. DG is also taking risk in delivering these services and would need to charge a fee to account for this. As such a fee of 3% has been included for Repairs and Maintenance, Economic Development and Property / Commercial Asset Management service. The net impact is a c. 7% saving. A profit of 10% is being charged for Mixed use / residential development services to the Council due to the increased risk profile of this service This is shown in the financial tables detailed below.

Temporary Accommodation

Another key consideration is that, as the Strategic Case shows, the Council are currently inundated with homelessness applications and a need for temporary accommodation. The current costs incurred by the Council per night to accommodate this volume is high due to a need to utilise bed and breakfast and other sources. The provision of new temporary units through street purchase acquisitions within the company will produce a significant saving on these costs.

To exemplify this, the current average costs per night for temporary housing provision by the Council are c. £59 per night through B & B accommodation, and this ranges from £35 to £80 depending on scale and timing of placement. By utilising purchased units operated. If purchased units are used this would equate to c. £20 a night, a saving of c. £39

4.4 Affordability Results

Assessing Affordability

In order to assess affordability, the key affordability parameters need to be set. For this analysis the key affordability requirements are as follows:

- Company viability
- Reduction in costs for the Council
- Financial benefit to the Council

A number of the assumptions that underpin this analysis are detailed earlier in this section; Appendix 3 includes additional key financial assumptions that have been made.

Company Viability

In order to demonstrate the viability of the company two key metrics have been produced, as follows:

- Company Income and Expenditure Account - For this analysis a consolidated Income and Expenditure account has been shown for DG. In practice both DDC and DMC will also have their own separate Income and Expenditure accounts as well as this consolidated one
- Debt drawdown and repayment - This shows the drawdown of debt for the development activity and the Temporary Accommodation purchases as well as how these are repaid.

Company Income and Expenditure

The table below provides the consolidated Income and Expenditure account for DG over a 30-year period addressing the development and operational periods for the group.

	Total	NPV
Expenditure		
WOC Staff	£12.1m	£5.2m
DM Team	£1.7m	£1.4m
Property & Estates	£57.3m	£23.9m
R&M Team	£215.2m	£89.8m
Econ Development	£10.3m	£4.3m
Interest on TA properti	£15.8m	£6.1m
Total Expenditure	**£312.4m**	**£130.8m**
Income		
Fees Recharge	£1.6m	£1.3m
Property & Estates	£59.1m	£24.6m
R&M Team	£221.7m	£92.5m
Econ Development	£10.6m	£4.4m
Rent from Developmer	£9.2m	£3.4m
Rent from TA	£16.9m	£6.2m
Exit Value	£10.1m	£1.7m
Total Income	**£329.1m**	**£134.2m**
Earnings before Tax	**£16.7m**	**£3.4m**
Tax	-£4.4m	-£1.0m
Earnings after Tax	**£12.3m**	**£2.3m**

This demonstrates that the company is viable and operating as a going concern generating a surplus before tax across the 30-year period of c. £16.7m (£12.3m after tax). This can be further broken down across the first 10 years as shown below.

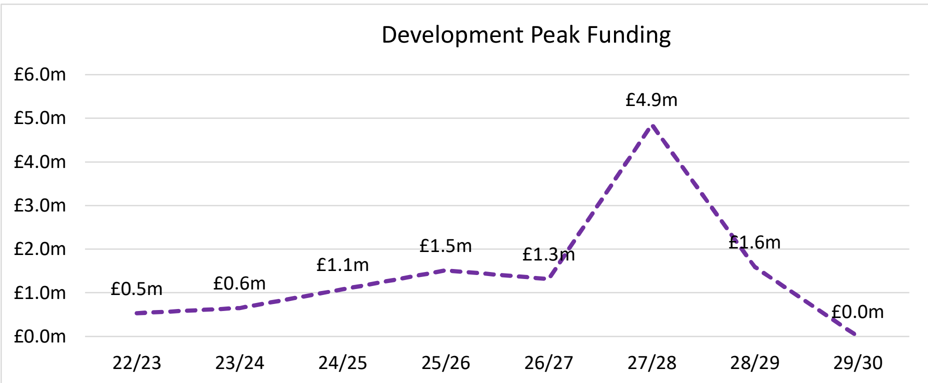
	23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32	32/33
Expenditure										
WOC Staff	£362,500	£369,750	£377,145	£384,688	£392,382	£320,183	£326,587	£333,119	£339,781	£346,577
DM Team	£321,750	£328,185	£334,749	£341,444	£348,273	£0	£0	£0	£0	£0
Property & Estates	£1,413,185	£1,441,449	£1,470,278	£1,499,684	£1,529,677	£1,560,271	£1,591,476	£1,623,306	£1,655,772	£1,688,887
R&M Team	£5,304,524	£5,410,614	£5,518,826	£5,629,203	£5,741,787	£5,856,623	£5,973,755	£6,093,230	£6,215,095	£6,339,397
Econ Development	£253,391	£258,459	£263,628	£268,901	£274,279	£279,765	£285,360	£291,067	£296,888	£302,826
Interest on TA properti	£56,925	£114,989	£174,213	£234,623	£296,240	£359,090	£423,197	£488,586	£555,282	£623,313
Total Expenditure	**£7,712,275**	**£7,923,446**	**£8,138,840**	**£8,358,542**	**£8,582,637**	**£8,375,931**	**£8,600,375**	**£8,829,307**	**£9,062,819**	**£9,301,000**
Income										
Fees Recharge	£141,437	£172,933	£225,510	£559,037	£506,159	£0	£0	£0	£0	£0
Property & Estates	£1,455,581	£1,484,693	£1,514,386	£1,544,674	£1,575,568	£1,607,079	£1,639,221	£1,672,005	£1,705,445	£1,739,554
R&M Team	£5,463,659	£5,572,932	£5,684,391	£5,798,079	£5,914,040	£6,032,321	£6,152,968	£6,276,027	£6,401,548	£6,529,579
Econ Development	£260,993	£266,213	£271,537	£276,968	£282,507	£288,158	£293,921	£299,799	£305,795	£311,911
Rent from Developmer	£8,840	£28,024	£56,973	£85,530	£162,257	£258,088	£283,005	£288,665	£294,438	£300,327
Rent from TA	£47,281	£96,453	£147,574	£200,700	£255,893	£313,213	£372,723	£434,489	£498,576	£565,053
Exit Value	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Total Income	**£7,377,791**	**£7,621,248**	**£7,900,372**	**£8,464,988**	**£8,696,424**	**£8,498,858**	**£8,741,837**	**£8,970,985**	**£9,205,802**	**£9,446,423**
Earnings before Tax	**-£334,484**	**-£302,198**	**-£238,468**	**£106,446**	**£113,787**	**£122,927**	**£141,462**	**£141,677**	**£142,983**	**£145,423**
Tax	£0	£0	£0	-£26,612	-£28,447	-£30,732	-£35,365	-£35,419	-£35,746	-£36,356
Earnings after Tax	**-£334,484**	**-£302,198**	**-£238,468**	**£79,835**	**£85,340**	**£92,195**	**£106,096**	**£106,258**	**£107,237**	**£109,067**

This shows that whilst the company makes a loss in the first three years during development and before operational assets start generating returns, it then turns profits and generates ongoing receipts. It has also been assumed for the financial modelling that the asset value at year 30 is realised. At the end of the period, the Council will also retain a number of assets which have a value, this would potentially result in a profit on disposal of c. £10.1m (NPV of £1.7m) in year 30.

It should be noted that a cash efficient model has been employed for DG. For example where profits are made on service delivery, these have been used to purchase the commercial / housing units that DG chooses to manage. Thus, there is no need to take additional loans for this activity. In practice this can be decided in partnership with the Council to ensure the most appropriate treatment for both parties

Debt Drawdown and Repayment

The graph below shows the drawdown and repayment of the development loans to support the delivery of the pipeline.



This graph shows that the loans can be repaid within the relevant development period. The development loans are repaid from the proceeds of sale of the majority of assets developed and after reaching a peak debt position of £4.9m in 2027/28 they are repaid in full by 2029/30.

Reduction in costs for the Council

The Council currently undertakes a number of the services to be delivered by DG. By these services being transferred into the vehicle there is a strong expectation that the commercial nature of DG will drive efficiencies. Typical efficiency measures that have been achieved include:

- Support in improving productivity through changes in working practices and systems
- Recruitment of commercial expertise to support existing teams in areas of specialism
- Restructuring / Combination of teams to be task focused within a company environment
- Performance management approaches

For this analysis these changes have been assumed to result in a 10% efficiency saving. This is in line with experience of other similar arrangements, if anything falling on the conservative side of many efficiencies achieved.

The company will, however, charge a fee for delivering these services. As it is now responsible for undertaking the services it bears all risks of performance and delivery of these contracts. This is a service risk, rather than a development risk, and as such is likely to bear a smaller level of profit, for this analysis this has been assumed to be 3%. This gives a potential c. 7% saving in costs of delivery compared with the current expenditure.

The table below shows the impact of these changes for the Council.

Cost Comparison	Amount
Current Budget	£8,103,167
In Company	£7,292,850

This shows that the total cost the Council was paying for these services has reduced by c. £810k.

If only 5% efficiency were achieved, instead of 10% this would lead to the following results:

Cost Comparison	Amount
Current Budget	£8,103,167
In Company	£7,698,009

This shows that the total cost the Council was paying for these services would be reduced by c. £405k, 5% saved.

Financial Benefit to the Council

There are a series of ways that the Council would benefit financially from the activities of DG. The key financial benefits to the Council are:

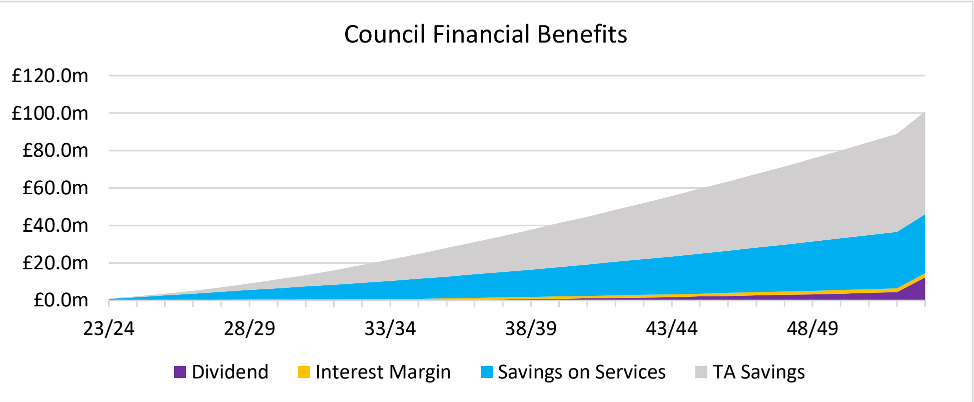
1. Profit distribution from DG to the Council as 100% shareholder.
2. Interest premium - the income generated by charging an interest rate of 7% to DG for the development loans and the Council borrowing at 4% from PWLB to fund this on lending. The difference between the 2 is an income to the Council.
3. Cost saving on services delivered by the WOC - as explained above DG should deliver the services more efficiently due to its operating model, this cost saving is a financial benefit to the Council.
4. Temporary accommodation saving compared to current costs - Whilst the temporary accommodation costs money to DG, reducing its level of surpluses, it does provide homelessness accommodation at a cheaper rate than the Council currently incurs, providing a saving to the Council.

The table below brings these elements together to demonstrate the overall financial benefit to the Council over a 30-year period.

Council Financial Benefits		
Type	**Total**	**NPV**
Dividend	£12.3m	£2.3m
Interest Margin	£2.1m	£1.0m
Savings on Services	£31.6m	£13.3m
Savings on TA*	£54.9m	£20.1m
Total	**£101.0m**	**£36.7m**

* TA loses circa £100k per year

The graph also shows how this is made up



4.5 Risk Register

The tables below contain a high-level view of the main risks that apply to the establishment and operation of DG in its proposed structure and funding structure split into strategic and financial/operational. This will be developed into a more detailed Risk Register during the course of the development of the DG Business Plans, with impact and likelihood, key mitigations and residual risk analysis.

Strategic risks register

Strategic risks	Likelihood	Measures and mitigation
Failure to provide a repairs and maintenance service or Property Management Service that meets relevant standards, within agreed resources	Medium	Properly specified service agreement for repairs and maintenance and property management. Establishment of appropriately skilled and resourced team. Regular meetings between the CEO, Council and property management / R&M team and defined set of KPI's. Benchmarking of KPI's to be put in place.
Adverse macro-economic environment compared to business plan and budget assumptions	Medium	Business plan stress testing to identify failure scenarios and mitigating actions, any requirement for additional funds and ensuring there is adequate headroom. BDC as shareholder has a vested interest in DG success.
Cost of future pipeline of new homes increasing in price or becoming available later than planned.	Medium	DDC / Council input and challenge into the development appraisal process, and a Gateway approval process via Company governance. The Board will assess future schemes viability as a site and as part of the overall programme before committing, contracts and pricing to be agreed.
Failure to achieve the planned quality of neighbourhoods and communities within agreed resources.	Medium	Tenants to be vetted prior to letting and appropriate support put in place. Quality of environment maintained to discourage ASB. Tenancy management will be provided by the Council under existing targets and arrangements. Neighbourhood management and dealing with Anti-social behaviour forms part of the property management arrangements.
Failure to comply with health and safety obligations as a Landlord.	Medium	Quarterly health and safety and landlord statutory compliance reports to be brought to Board, with regular H&S items picked up as a standing item. Upskill as a Board on health and safety and engage external consultant to give assurance. Appropriate review and reporting arrangements put in place.
Failure to deliver planned improvements in environmental management and energy efficiency and planning for climate change scenarios.	Medium	Homes built to sustainable design standards. Planning system considers flood risk zone as part of the application and this impacts on the design of new homes, planning system also considers heating / risk of overheating. Under constant review as part of wider work on preparing for a zero-carbon future.
Risk of loss of income because of inadequate handover processes meaning the homes are not occupied quickly.	Medium	Business plan assumptions for letting to be stress tested. Nominations are from the Council. Agreement to lease should specifically set out the homes will not come to DDC until they are ready for occupation. DMC should be part of sign off on Practical Completion with DDC.
Unavailability of future funding.	Medium	Business Plan and establishment process should agree an approach to lending and the security of draw down. One of the Business plan stress testing criteria should be a requirement for extra funds, this means that there should

Strategic risks	Likelihood	Measures and mitigation
		be a good understanding of the circumstances that would trigger a need for extra finance and how this would be addressed.
Failure to effectively monitor, anticipate, and respond to changes in the external environment: policy / regulation / law/taxation.	Low	If structure was no longer vires the MDC can move appropriate homes into the Council, this will give the tenants at least the same rights they have as tenants of MDC. Other units would be sold to the market.
Income or cost assumptions in the financial business plan are incorrect.	Medium	Homes will mostly be new build (other than TA acquisitions) and constructed to current standards, they will be purchased by third party purchasers outright or purchased at a fixed price from DDC on a leasehold basis. Quarterly consideration of key risks by Board. Annual business planning process includes stress testing scenarios. Handover project process for new homes should be led by DMC CEO. Lifecycle costs for repairs in the business plan should be based on appropriate professional QS reports. Performance and financial reporting framework being put in place with quarterly reporting to the Board.
Failure to comply with regulation / law/taxation.	Medium	Establishment of the company should consider all relevant legal requirements including Teckal, TUPE, housing management standards, development standards, vires etc. Service Agreements should include provisions to ensure compliance with GPDR and in the case of the Property Management Agreement will specify a Regulatory compliant service. Service will review regularly to ensure compliance and performance management will focus on these areas.
Failure to maintain a strong and positive relationship with key stakeholders, including the Council Officers, Councillors and MPs.	Low	Regular liaison meetings should be established with key stakeholders. Quarterly meetings between the Council and the Companies should be established.
Lack of sufficient leadership and strategic direction.	Low	Regular meetings should be held between the Board Chair and the CEO for each company. Business Plan. A Governance handbook should be established (including clarity on Board and Executive roles). Board evaluation process and CEO appraisal should ensure they have the skills to develop and deliver on the business plan.
Failure to maintain back-office services that meets the needs of the business, within agreed resources.	Low	HR, finance, and internal audit services should be procured from the Council third parties. Monthly performance reporting should be put in place to the company’s Senior Leadership Team with quarterly reports to the Board, this will highlight any issues and enable them to be addressed under the contracts in place.

Strategic risks	Likelihood	Measures and mitigation
		Specific monitoring of timetable for production and filing of the financial statements should be put in place and regular meetings between the CEO and the Company CFOs to allow for escalation.
Failure of contractor to provide expected quality and volume of service within agreed resources.	Low	Regular performance monitoring arrangements to be put in place with all contractors, including relevant KPIs. Escalation procedures to be included in all contracts. Only contractors with a high viability and governance rating able to tender for works.
Failure of governance (including medium and long-term financial control).	Low	Governance manual and policy framework to be put in place. Service agreements for the HR / ICT / finance etc. should I.e., appropriate arrangements around the financial statements.
Rising interest rates.	Medium	These would impact the loan rates offered to DDC, however, there is the potential for subsidised rates to be offered provided they comply with Subsidy Control regulations.
A legal challenge is made with regards to Subsidy Control (formerly State Aid).	Low	Expert opinion should be sought to ensure that the terms of set up by the Council and DDC are considered reasonable, under the latest guidance.
Perception and reputation.	Low	The Council's role as an operator in the affordable rented and private letting sector would need to be considered in the context of ensuring correct branding and marketing strategy.
Demand for certain tenure changes.	Low	The balance of the properties, be it market rent or market sale, and affordable homes, could be varied flexibly for a short or medium term, though the impact to the business plan would need to be assessed.
Increased voids.	Low	Void risk performance management and KPIs should be core to the service management process.
Increased bad debts.	Low	Debt collection performance management and KPIS should be core to the service management process.

4.6 Affordability Conclusion

The Financial Case has demonstrated that the preferred option of establishing DG with a fully staffed set of services is affordable in that the company is viable and fundable and that the preferred option delivers significant financial benefit to the Council.

5. Management Case

The purpose of the Management Case is to set out the governance structure for the implementation of the preferred option and outline the processes and procedures in place for the Council to ensure successful implementation of the Dragonfly Group.

5.1 Internal resources, roles, and responsibilities

Project Sponsor
The implementation of the preferred option will be led by the key Project Sponsor, Karen Hanson Chief Executive Officer, with support from the project team.

Karen will champion the delivery of the project and lead the Project Team to ensure the delivery of the programme to time and budget.

5.2 Project Team for the DG Project

The project team for the implementation will be made up of resource from Dragonfly Developments and the Council, as follows:

Dragonfly Developments

- Grant Galloway
- Ian Barber
- Chis Fridlington

Bolsover District Council

- Karen Hanson - CEO
- Theresa Fletcher - Finance
- Jim Fieldsend - Legal
- Victoria Dawson
- Scott Chambers

Key Roles

Finance – the Project Team, will be responsible for ensuring that the business case remains viable at all times. The key role is to work with the project team to problem solve when viability or affordability are threatened.

Legal – the Project Team will be responsible for the appointment of specialist legal support to advise on structures, contracts, development agreements, procurements, and commercials.

Communications – the communications lead will provide support in terms of keeping up to date both members and officers.

5.3 External resources, roles, and responsibilities

The table below highlights the appointments in place and required to implement the project.

External resources	
Legal: Sharpe Pritchard	Providing legal support on key issues to support the implementation
Finance / Commercial: 31ten Consulting	Providing commercial support on key issues to support the implementation

5.4 Governance and Timetable

The Business Case will be presented to the Executive in early February 2023. If approved, an initial workstream will be established to review and update the governance structure to support the implementation of the preferred option. This is likely to include the establishment of a Shareholder Board and appropriate delegations' matrix.

5.5 Conclusion

The Council has established a team to take forward the implementation of the preferred option subject to the approval of the Business Case in February 2023.

Appendix 1 – Company Structure

1. Dragonfly Developments Limited is already established as a company limited by shares. The main body of this business case sets out that this model is the most appropriate for its future use based on the Council's objectives. In this annex we consider why this is the case and comment on why other types of company would be inappropriate.

2. Local authorities make use of a range of company structures, the type of which is generally governed by that company's objectives (which, in turn, are determined by the objectives of the shareholder Council). A company's objectives are important as they will generally point to a structure that is both legally and commercially suitable. For example, a company set up by a local authority to undertake activities with a social angle may choose a community interest company due to its social characteristics and the asset lock that is a feature of that model, whilst a company established to pursue commercial objectives to allow for a commercial revenue stream for the Council may look to a more traditional company limited by shares. The table at the end of this annex contains a matrix of different corporate structures that are often considered by local authorities when looking to undertake activity through a separate corporate vehicle and the limitations and possibilities attached to each.

3. We now consider Dragonfly's current structure, its appropriateness and whether other structure may be more suitable.

Dragonfly as a company limited by shares

4. The Council's objectives for Dragonfly place a particular emphasis on achieving a commercial return from its activities. For legal reasons, discussed in more detail below, this eliminates certain structures from the options available.

5. Section 1 of the Localism Act 2011 contains the *general power of competence*, which allows a Council to do anything that an individual may do, providing there is not another statutory obligation not to do that thing. This means that a Council has the ability to operate commercially, but section 4 of the Localism Act 2011 requires that, for it to do so, it must undertake that activity through a company as outlined in section 1 of the Companies Act 2006. As it currently stands, therefore, the Council's objective of achieving a commercial return will need to adopt one of the following companies:

   - Company limited by shares
   - Company limited by guarantee
   - An unlimited company

6. The third of these options is not appropriate and very few companies are now established as unlimited companies (for the reason that do not benefit from the limited liability that is often the core purpose of setting up a company in the first place). The second of these

options would be available, but as the table on the following page shows, this is not a type of company generally used for purely commercial activity as its articles will generally not permit declaring dividends, which would not be appropriate for the Council given its objectives of generating revenue. It would also restrict the options that the Council would have for financing (it would only be able to loan to the company and not make an equity investment, which could cause legal issues around subsidy control).

7. This leaves a *company limited by shares*, which is the current structure. This is suitable as it has been designed, by statute, to best fit the activities of a commercial company. It allows for flexible funding, is well understood, and permits the declaration of dividends.

8. A structure that is often considered by local authorities for activities is the LLP – limited liability partnership. This is a model that is a hybrid of an unincorporated partnership and a company. It is particularly attractive to local authorities as it is tax transparent, which means each member of an LLP is taxed in its own hands. As local authorities do not pay corporation tax, this makes the structure particularly interesting. However, the LLP structure is not one referred to in section 1 of the Companies Act 2006 due to the advantage that local authorities would have over private businesses when undertaking commercial activity. An LLP structure is only available if a Council is not operating "for a commercial purpose", which is defined in section 4 of the Localism Act 2011. The meaning behind this phrase was tested in the case of *Peters v Haringey*, in which the judgment concludes that for there to be a commercial purpose, the primary objective of the activity that is being undertaken should be a commercial return. If a commercial return is simply ancillary to a wider Council objective e.g., implementing its corporate plan, this is unlikely to be considered acting for a commercial purpose.

9. Given the Council's focus on commercial return in its objectives, we suggest that the LLP structure would not be available, and the company limited by shares is the most legally compliant model.

	Company Limited by shares	Private Company Limited by Guarantee	Community Interest Company (CIC)	Co-operative / Community Benefit Society	Limited Liability Partnership
Limited liability of members	Limited to unpaid amount on share (including premium).	Limited to the amount of their guarantee.	May either be a company limited by shares or guarantee.	Members' liability limited to the amount unpaid on shares.	Members' liability limited to amount of capital invested
Governing documents	Articles of association, usually supplemented by a shareholder's agreement	Articles of association, usually supplemented by a shareholder's agreement	Articles of association incorporating the specific requirements of the Community Interest Companies Regulations 2005 as amended	Constitution or rules administered by members, generally on the basis of one vote per member.	Members' (LLP) agreement – there is not statutory constitution
Scope to obtain charitable status / tax benefits as a charity	**No**, but can be a trading subsidiary of a charity which covenants profits to parent trust/charity to obtain maximum tax advantage.	**Yes**, if it has objects satisfactory to the Charity Commission.	**No**	Cannot register as a charity but if it meets charitable criteria it may benefit from "exempt charity" status and obtain tax benefits.	**No**
Regulation	Companies Act 2006 and associated legislation.	Companies Act 2006 and associated legislation Charity law and Charity Commission if charitable.	Community Interest Company Regulations 2005 (as amended) (CIC Regulations), Registration with Registrar of Companies and Regulated by the Regulator of CICs.	Regulated by the FCA (and not by the Charity Commission even if its objects are charitable). They are also regulated by the Co-operative and Community Benefit Societies Act 2014.	Limited Liability Partnerships Act 2000 and provisions of Companies Act 2006 and partnership law.
Main potential sources of funding / income	Generating profit from trading activities or sale of assets or other income.	Fund raising/grants/donations Trading or other income-generating activities as permitted by its objects Borrowing if income sufficient and constitution permits.	Similar to company limited by guarantee or other private company, but scope for raising equity and debt capital is restricted by their community interest objectives and limitations on dividends and interest payments.	Equity investment, grants, fundraising, trade or other income-generating activities and borrowing dependent on constitution.	Generating surpluses from trading activities or sale of assets or other income.
Can it distribute profits?	**Yes**	In principle yes, but companies limited by guarantee generally have a prohibition on distributing profits the articles of association	Dividends paid by CICs are subject to limits set by the Secretary of State.	Generally, it is a requirement of registration with the FCA that a BenCom should not distribute profits to members but retain them for the benefit of the community.	Yes, Members can withdraw profits as drawings

	Company Limited by shares	Private Company Limited by Guarantee	Community Interest Company (CIC)	Co-operative / Community Benefit Society	Limited Liability Partnership
Asset lock	No, but subject to maintenance of capital restrictions.	No specific requirement but provisions with such an effect could be included in articles of association.	Articles must include an "asset lock" as set out in the CIC Regulations. Assets can only be transferred at full market value. Assets remaining on dissolution protected for the community.	Such provisions could be included in the BenCom's constitution.	**No**
Minimum number directors/members or equivalent	At least one director (a natural person at least 16 years old). May have a sole member. Members will decide the most important decisions regarding the company. Directors will carry out the day-to-day business.	At least one director (a natural person at least 16 years old). May have a sole member. A charitable trust set up as a company limited by guarantee will usually have several trustee directors.	Same as a company limited by guarantee, shares or any other private company.	Every IPS/BenCom must have a committee of management (sometimes called "directors") and a secretary; generally, a minimum of three individuals plus a secretary.	Must have at least two designated members responsible for statutory filings
Typical use	Most common business structure and well recognised by banks and other commercial organisations as a trading vehicle.	Proposals requiring the body to own land or other assets, enter contracts, employ staff, hold a bank account and/or borrow money. Charities or companies where the purpose is not-for-profit	Intended for social enterprises that wish to use assets and profits for public benefits, with mandatory asset lock and controls on dividends to reassure potential participants, donors or investors.	BenComs are one of the two forms of IPS which can be registered under the Co-operative and Community Benefit Societies Act 2014(the other being a cooperative) and are organisations with social objects to run a business for the benefit of the community.	Increasingly common business structure recognised by banks and other commercial organisations as a trading vehicle.
Points to note	Permitted under trading powers, and well-being (Wales, LGA 2000, s 2) /general power of competence (England, Localism Act 2011, s 2).	Recognised entity for a not for profit distributing enterprise where asset ownership and contracting envisaged, a degree of continuity is sought and/or there are benefits in limiting liability. Permitted under trading powers, and well-being (Wales, LGA 2000, s 2)/general power of competence (England, Localism Act 2011, s 2).	A limited company with an added "overlay". Doubtful whether additional costs and complexity justified by benefits over other forms. Permitted under trading powers but unlikely to be suited to public/public collaborative venture.	Organisations which conduct an industry, business, or trade for the benefit of the community. There must be special reasons why they cannot register as a company. In practice they are used less frequently than companies though permitted under trading powers.	A local authority is not able to use LLPs for trading or pursuing commercial purpose (Localism Act 2011).

Appendix 2 – Development Sites

Site Name	Ward	Start Date	End Date	No of Units
West Street Site 1&2	Langwith	16/01/23	25/08/23	5
The Woodlands	Langwith	31/01/22	03/03/23	19
Moorfield Lane Site 1	Langwith	30/01/23	11/08/23	3
Moorfield Lane Site 2	Langwith	30/01/23	08/09/23	4
The Woodlands 2	Langwith	10/07/25	29/04/26	14
Rowan Drive	Shirebrook	28/01/25	03/11/25	10
Portland rd/Market Close Site 1	Shirebrook	12/09/22	15/01/24	24
Market Close Site 2	Shirebrook	21/11/22	24/04/23	1
Briar Close	Shirebrook	04/12/23	16/05/25	35
Station Road	Shirebrook	16/12/24	05/09/25	6
Hereward Close Site 1	Shirebrook	05/12/22	03/07/23	3
Swanwick Avenue	Shirebrook	25/03/24	29/11/24	6
Brookfield Crescent	Shirebrook	28/01/25	11/08/25	2
Elm Tree Avenue	Shirebrook	28/01/25	25/08/25	3
Alder Way	Shirebrook	25/03/25	26/01/26	6
Alder House	Shirebrook	04/03/25	17/11/25	7
Hill Crest	Shirebrook	28/01/25	08/09/25	5
Woburn House/Close	Blackwell	10/07/23	20/03/26	42
Alfreton Road	Blackwell	13/11/23	10/05/24	1
Pendean Close	Blackwell	13/05/24	01/11/24	2
Victoria Drive Site 2	Blackwell	28/10/24	23/05/25	1
St Thomas Close Site 1	Tibshelf	03/06/25	12/01/26	2
St Thomas Close Site 2	Tibshelf	03/06/25	15/12/25	1
Clune Street Site 1	Clowne East & West	13/02/25	30/07/25	1
Clune Street Site 2	Clowne East & West	20/03/25	03/09/25	1
Mansfield Road/Damsbrook Drive Site 1	Clowne East & West	07/11/24	13/08/25	7
Damsbrook Drive Site 4	Clowne East & West	30/01/25	13/08/25	2
Southgate Crescent Site 1	Clowne East & West	12/12/24	06/08/25	3
Orchard Close	Clowne East & West	15/05/25	07/01/26	3

Site Name	Ward	Start Date	End Date	No of Units
King Street	Clowne East & West	17/04/25	01/10/25	1
Damsbrook Site 3	Clowne East & West	13/03/25	27/08/25	1
Springfield Close	Clowne East & West	08/05/25	22/10/25	1
Harlesthorpe Avenue Site 2	Clowne East & West	07/11/24	07/05/25	1
Doles Lane	Whitwell	26/10/20	21/09/21	7
Longcroft View	Whitwell	12/10/20	20/04/21	1
Bakestone Moor	Whitwell	12/10/20	30/08/21	5
Claylands Road	Whitwell	09/11/20	10/08/21	3
Sandy Lane/Thorpe Avenue	Whitwell	26/04/21	17/06/22	21
Sleights Lane	Pinxton	29/10/24	02/06/25	3
Eastfield Drive	South Normanton East & West	15/10/24	07/07/25	4
Peveril road	Bolsover North & Shuttlewood	28/11/24	27/08/25	8
St Lawrence Avenue	Bolsover East & South	28/11/24	16/07/25	1
Moorfield Avenue/Schoolfield Close	Bolsover East & South	16/01/25	06/08/25	2
Sycamore Close	Pinxton	12/11/24	16/06/25	1
Woodfield Road (41)	Pinxton	25/11/24	27/06/25	2
Woodfield Road (73-75)	Pinxton	19/11/24	23/06/25	1
Woodfield Road (Side 20)	Pinxton	26/11/24	23/06/25	1
Total				**283**

Appendix 3 – Key Financial Assumptions

Financial Modelling Assumptions	
Company I&E Period (years)	30
Blended Development Interest Rate	7.0%
Blended TA Acquisition Interest Rate	4.5%
Council Borrowing Rate	4.0%
Recharged Prof. Fees from Development	3.50%
Retained Assets (% of Units)	9%
Rental yield (% of GDV)	5.0%
Full OpEx (% of Rent)	25.0%
OpEx in fully staffed Company	12.5%
Indexation all Cost/Income	2.0%
Corporation Tax Rate	25%
Reduction in Asset Exit Value	40%
75% of sites developed utilising DM services / 25% of sites developed by DG	

Other Teams	Annual Budget
Property & Estates Budget Cost	£1,570,206
R&M Team Budget Cost	£5,893,915
Econ Development Budget Cost	£281,546

Assumed Company Efficiency	10%

TA Acquisition	Assumption
Number of Properties	100
Properties per year	10
Price per unit	£115,000
On-costs	10%
LHA Rent (£ / week)	£103.56
Opex (excluding in-house resource) % of rent	12.5%
Net Savings per night	£44
Assumed void on savings	5%

Appendix 4 – Example Reserved Matters

RESERVED MATTERS

Insofar as a matter is a Reserved Matter relating to a Company, the Company shall not make any decision in relation to, or undertake, that Reserved Matter except with the prior written consent of the Council. Reference to a "Company" shall be to the relevant company (as appropriate):

Number	Reserved Matter	[DMC]	[DDC]
Constitution of the Company			
1	Varying in any respect the articles or the rights attaching to any of the shares or memberships (as applicable) in the Company.	✓	✓
Officers and shareholders of the Company			
2	The appointment and the appointment terms (including any remuneration terms) of any directors other than Council appointed directors.	✓	✓
3	The removal of any directors (including any terms on which such directors are removed from their office as directors) other than Council appointed directors.	✓	✓
4	The admission of further shareholders or members to the company or agreeing any rights or restrictions attaching to any shares or memberships allocated to such new shareholders or members as applicable).	✓	✓
5	The appointment or removal of the chair of the board (except where the chair is absent in which case the board will appoint an alternate chair).	✓	✓
Future direction and development of the Company			
6	Forming any subsidiary or acquiring shares in any other company or participating in any partnership or incorporated joint venture vehicle	✓	✓
7	Amalgamating or merging with any other company or business undertaking.	✓	✓
8	Selling or disposing of any part of the business of the Company.	✓	✓
9	Adopting or amending the Business	✓	✓
10	Undertaking any business or action which is inconsistent with the Business Plan then in force or omitting to	✓	✓

Number	Reserved Matter	[DMC]	[DDC]
	undertake any action which is required by that Business Plan except with the prior written consent of the Council		
11	Passing any resolution for its winding up or presenting any petition for its administration (unless it has become insolvent).	✓	✓
12	Agreeing or approving any other material services the total value of which exceeds15% of the respective Company's projected annual turnover per annum to be provided by the Company to a third party not approved under the Business Plan.	✓	✓
13	Appoint any agent (not being a subcontractor) to conduct the whole or any part of the business of the Company.	✓	✓
14	Apply for the listing or trading of any shares in its issued capital or debt securities on any stock exchange or market (where applicable).	✓	✓
Management of the business of the Company			
15	Changing the Company's registered office.	✓	✓
16	Changing the Company's name.	✓	✓
17	Creating or agreeing to create a charge, security or Encumbrance over the Company's assets, shares or income	✓	✓
18	Approving any matter that is reasonably likely to have an adverse effect on the reputation of the Council.	✓	✓
19	Changing the nature of the business or commencing any new business which is not ancillary or incidental to the business of the Company.	✓	✓
20	Agreeing to enter into or entering into any acquisition or disposal of any material assets by the Company the total value of which exceeds £[X] per annum	✓	✓
21	Giving notice of termination of any arrangements, contracts or transactions the total value of which exceeds £[X] per annum or materially varying any such arrangements, contracts or transactions and such termination or variation is likely to have an adverse impact on the financial status of a Company.	✓	✓
22	Granting rights (by license or otherwise) in or over any intellectual property owned or used by the Company.	✓	✓
23	Changing the Company's auditors.	✓	✓
24	Make any borrowing.	✓	✓
25	Agree to make or making any loan (otherwise than by way of a deposit with a bank or other institution, the normal business of which includes the acceptance of deposits or in the ordinary course of business) or granting any credit	✓	✓

Number	Reserved Matter	[DMC]	[DDC]
	(other than in the normal course of trading or the granting of trade credit to a Company which has been approved under the Business Plan) or giving any guarantee or indemnity (other than in the normal course of trading).		
26	Changing the Financial Year of the Company.	✓	✓
27	Increase or reduce the amount of its issued share capital, grant any option over or in its share capital, redeem or purchase any of its own shares or otherwise alter, or effect any reorganisation of, its share capital (where applicable).	✓	✓
28	Declare or pay any end of year dividend of the Company (where applicable).	✓	✓
29	Establishing or amending any pension scheme or granting any pension rights to any Director, officer, employee, former director, officer or employee, or any member of any such person's family.	✓	✓