

Report to:	Cabinet	Date of Meeting:	7 September 2023
Subject:	Phase 1 Business Plan for Sandway Homes Ltd.		
Report of:	Assistant Director Growth and Housing	Wards Affected:	All
Portfolio:	Cabinet Member - Regulatory, Compliance and Corporate Services		
Is this a Key Decision:	Yes	Included in Forward Plan:	Yes
Exempt / Confidential Report:	No		

Summary: Since 2018 Sandway Homes has delivered high quality sale and affordable housing in the borough. However, the recent economic issues in the country have impacted Sandway, as it has all housebuilders. This report provides Cabinet with an update on the progress and delivery of new homes as part of the Phase 1 Business Plan for Sandway Homes Limited and follows on from the Business Plan approved by Cabinet in December 2022.

The report provides an update on delivery of construction activity and forecast financial performance, comparing this to the previously agreed Business Plan.

The report outlines variations to the current Business Plan. At the meeting in December 2022, members agreed that should there be a material variation to that business plan a further report should be brought back for consideration and approval. Due to delays in sales completions this report brings details back to members as per that recommendation.

The report will also provide details of the current progress in respect of Phase 2 Business Planning.

Recommendation(s):

Cabinet is requested to:

1. Note the variations to the Phase 1 Business Plan as provided by the Company to the Council as of December 2022 and approve the revised Business Plan detail as set out in the report.
2. Consider the range of external economic factors and risks that have the potential to impact the delivery and financial performance of the Phase 1 business plan and confirm acceptance and understanding of these and the material impact that they may have.
3. Approve the changes to the loan agreement between the council and the company as set out in para 5.11.
4. Note the current position in relation to Phase 2 Business Plan and that a comprehensive update will be provided in November 2023.

5. Approve that if there are any further material variations to this revised position that then must be reported to cabinet as shareholder at the earliest opportunity.

Reasons for the Recommendation(s):

Since 2016 the Council has been considering its role in the provision of housing throughout the Borough to complement an active third and private sector market.

There is significant demand for housing sites and housing development within Sefton, with over 11,000 housing units being required, over the Local Plan period, in order to meet with the local housing demand. There is a national shortfall of circa 1m homes (of which 400,000 fall into affordable homes) whilst across the Liverpool City Region a total of circa 50,000 housing units will be required in the medium term. Sandway Homes Limited seeks to increase housing completions and the availability of choice for residents and those wishing to live in Sefton.

This will be achieved by working with the council and stakeholders including Homes England and the Liverpool City Region Combined Authority to leverage in brownfield enabling funds to assist the local authority in proactively re-developing sites included in its brownfield disposal register.

Alternative Options Considered and Rejected: (including any Risk Implications)

There are no alternative options to be considered.

What will it cost and how will it be financed?

(A) Revenue Costs

All financial implications are discussed in detail within the report.

(B) Capital Costs

All financial implications are discussed in detail within the report.

Implications of the Proposals:

Resource Implications (Financial, IT, Staffing and Assets):
All financial implications are included in the report
Legal Implications:
None.
Equality Implications:
None.
Impact on Children and Young People:
No Impact
Climate Emergency Implications:

The recommendations within this report will	
Have a positive impact	No
Have a neutral impact	No
Have a negative impact	Yes
The Author has undertaken the Climate Emergency training for report authors	Yes

Contribution to the Council's Core Purpose:

Protect the most vulnerable:
Facilitate confident and resilient communities: The proposals will add housing choice within the heart of Sefton's communities, facilitating confidence.
Commission, broker and provide core services: Projected returns to the Council, as sole shareholder, from SHL which will provide revenue to contribute towards service provision.
Place – leadership and influencer: Housing is a significant contributor to building a better sense of place
Drivers of change and reform: Physical infrastructure (housing) is a significant contributor to and enabler/catalyst for change.
Facilitate sustainable economic prosperity: The proposals will make a significant contribution to the local economy, both by way of a direct impact to construction and civil engineering jobs, but additionally providing a housing supply and choice for residents wishing to live and work in Sefton and across Merseyside
Greater income for social investment: The approved Business Case identifies the opportunity for SHL to commission a greater level of social value.
Cleaner Greener: The proposals will be compliant with the Building Regulations and other Planning and Habitat regulations meaning Sefton builds cleaner and greener.

What consultations have taken place on the proposals and when?

(A) Internal Consultations

The Executive Director of Corporate Resources and Customer Services (FD 7738/23.) and the Chief Legal and Democratic Officer (LD 5538/23.) have been consulted and any comments have been incorporated into the report.

(B) External Consultations

None

Implementation Date for the Decision

Following the expiry of the "call-in" period for the Minutes of the Cabinet Meeting

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Appendices:

None.

Background Papers:

None

1. Introduction/Background

- 1.1 The Council set up Sandway Homes in 2018 in order to help meet housing need by providing high quality affordable and sale homes in Sefton. Since this time the company has gone on to deliver against its objective of providing high quality homes. Sandway is currently concluding the development of its first two sites, at Barton's Close in Crossens, and Meadows Lane in Ainsdale. Both sites are well on the way to being completed, delivering 78 homes, 25 of which are available as affordable housing. However, as with all housebuilders, Sandway has been impacted by the wider economic issues being seen across the country.
- 1.2 Rising interest rates have increased mortgage rates making it difficult for those people who wish to own their home, and construction cost inflation has made the delivery of housing challenging for developers. Despite this Sandway continues to deliver new housing, and reservations of properties continues to be made by purchasers. The cost of living crisis, and the increase in homelessness in the borough means that the affordable housing being developed on Sandway sites is in greater demand than ever.
- 1.3 Cabinet has previously approved the Phase 1 Business Plan for Sandway Homes Limited at its meeting in July 2019, with detailed updates being provided at the meetings in September 2020, October 2021 and also in December 2022.

This report provides a further update on the delivery of the Phase 1 Business Plan and details the key variations since last year and the further considerations and decisions required by Cabinet.

2. Approved Phase 1 Business Plan

- 2.1 At the Cabinet meeting of September 2020, the Phase 1 Business Plan was agreed with the following key outputs and financial performance:

Table 1: Delivery of houses by site as at September 2020

Site	Units to be built	Start date (construction)	End date (Sales completion)
Meadow Lane, Ainsdale	48	May 2020	May 2022
Barton Close, Crossens	30	May 2020	April 2022
Buckley Hill Lane, Netherton	70	February 2021	April 2023
Total	148		

Table 2: Financial Performance as at September 2020

	Business Plan Forecast £
Income (House Sale and Grant)	29,124,678
Expenditure (Construction and Fees)	(23,345,158)
Expenditure (Company Overheads)	(1,622,090)
Expenditure (Land Acquisition)	(2,232,000)
Interest	(627,376)
Earnings Before Tax	1,298,054
Corporation Tax	(246,630)
EARNINGS AFTER TAX (Dividend)	1,051,424

3. Phase 1 Business Plan- Report to Cabinet 1 December 2022

- 3.1 The November 2022 update report to Cabinet on the 1 December 2022 considered the external economic factors that were having an impact throughout the UK. These factors impacted on the delivery of the company's Phase 1 business plan in terms of financial forecasts, programme and risk.
- 3.2 The November 2022 update to the Phase 1 Business Plan, amended the estimated completion of 2 sites where construction has commenced - Meadow Lane and Barton's Close - with the end date for sales completion being delayed by 4 months and 7 months respectively to July 2023 and May 2023.
- 3.3 Meadow Lane – Cabinet was informed that the delays to the estimated sales completions for this site were due to supply chain issues, and the shortages of skilled trades. The update noted that by Christmas 2022 that 18 properties were estimated to be completed and handed over with the remaining 30 being completed by May 2023.
- 3.4 Bartons Close – as with Meadow Lane Cabinet was informed that the delay on this site was due to supply chain issues and the shortages of key trades. The December 2022 update estimated that the 11 remaining properties would be completed by the end of January 2023.
- 3.5 Buckley Hill Lane – Cabinet was informed that a long lead in period for service diversions has had an impact on the main contractor being able to secure sub-contractor package prices on key components.

The reasons for the delay in the Buckley Hill pre-construction works were reported to Cabinet in December 2022 as follows:

- Planning for a revised layout of 63 homes was secured on 21st November 2021 by way of a re-design so as to maximise saleability and values on the site, this was an initial 3-month delay;
- Following this a re-negotiation process with the Combined Authority (CA) commenced on the grant funding for the site as fewer units were to be delivered. This was completed on 12th April 2022.
- Stage 4 design period post planning commenced in December 2021 and continued through to approval of the CA allocation in April 2022.
- The Contract with the main contractor for service diversion works was subsequently agreed in May 2022, and quotes to statutory providers re-submitted. Following that period there have been the delays in those services being delivered by the statutory service providers.

4. The external economic environment

- 4.1 The current economic environment, on the back of wider and unprecedented post pandemic economic uncertainty continues to be extremely challenging for businesses and residents with rising interest rates, and high inflation, the cost of living crisis and the prospect of a potential recession as predicted by many economic commentators.
- 4.2 The impact on the housing sector is particularly sensitive to these operating conditions and has impacted the company due to:
- Mortgage rates increasing meaning that previous mortgage deals will have either been removed from the market or increased substantially in cost, thereby making potential buyers revisit their plans. Economists predict that further rises in interest rates could further weaken the UK's housing market;
 - Potential buyers having fewer financial resources to purchase a home;
 - Supply chain issues leading to works delays; and
 - Inflation pushing up prices for construction works.
- 4.3 The severity of this economic situation and the potential impact on the company's operations and planning cannot be under-estimated, with the impact already being felt with a slowdown in reservations taking place.
- 4.4 The economic issues affecting the country have impacted on housebuilding activity generally and data released in May 2023 showed the largest downturn in activity since May 2020 when sites were forced to shut down due to the pandemic. As a result of this there has been an understandable resultant and material variation to the Phase 1 programme that is detailed as follows.
- 4.5 As outlined earlier in this report delays to construction of the 2 sites which have commenced; Bartons Close and Meadow Lane, are due to wider external factors including supply chain shortages and a lack of skilled trades. Sales of homes at these 2 sites has also slowed over the last 9 months reflecting the economic conditions that exist in the UK at this time.

- 4.6 In addition at this point there have also been delays to getting Buckley Hill Lane started due to viability considerations, and long lead in times with the Utility Companies for service diversions.
- 4.7 As a result of this the company have revised the programme of phase 1 and have advised of the following:

Table 4: Start on Site and Completion by site

Site	December 2022		June 2023	
	Start on Site	Completion	Start on Site	Completion
Meadow Lane, Ainsdale	December 2020	July 2023	December 2020	October 2023
Bartons Close, Crossens	February 2021	May 2023	February 2021	September 2023
Buckley Hill Lane, Netherton	April 2023	July 2025	October 2023	November 2025

Meadow Lane and Barton Close

Bartons Close:

- 4.8 Progress continues at Bartons Close, with 12 completions taking place in the 2022/23 financial year, and a further completion in April 2023. The conclusion of the Section 38 agreement with SMBC highways and the S104 agreement with United Utilities is on-going due to the required technical changes requested by the Council regarding the adoption of parking bays and a turning head, after initial technical approval having been received. Construction is expected to be completed mid-September 2023. There are currently 3 unreserved properties at the site, however the team is confident these will be reserved in the coming weeks due to the homes being available for viewing due to reduced site construction. The site has attracted a number of cash buyers which has helped protect from the current economic uncertainty regarding mortgage rates. However, it remains a risk to current reservations.

Bartons Close

Unreserved	3	15%
Cash Buyer	5	25%
1 st time Buyer	4	20%
Sale / Mortgage	8	40%

Meadow Lane:

- 4.9 Meadow Lane also achieved 12 open market sales in the 2022/23 financial year, with a further 3 completions in Q1 of 2023/24. The site currently has 6 unreserved properties. The team is optimistic the remaining homes will be reserved before the construction is completed in October 2023, and have robust sales and marketing

plans in place. As with Bartons Close, a number of reservations at this site are cash buyers, however there are also a number of first-time buyers, who may be more impacted by the increasing mortgage rates.

- 4.10 The team is in regular contact with the sales agent to review sales prices and ensure they are in line with market valuations. All recent house valuations have been achieved. The company will continue to monitor market prices. There is a small amount of sales incentive remaining for the two live sites, which can be used should there be a decrease in sales valuations.

Meadow Lane

Unreserved	4	12%
Cash	12	36%
1 st time Buyer	7	21%
Sale / Mortgage	10	30%

Buckley Hill Lane:

- 4.11 Delays to the service diversion works being delivered by the statutory service provider has impacted on the main contractor being able to secure sub-contractor package prices for key components such as timber frame / roof trusses and drainage which has resulted in uncertainty for Sandway Homes regarding price.
- 4.12 As a result of a rise in construction contract price, significantly above the £10m assumed in the Business Plan reported to Cabinet in December 2022, the site was re-tendered. Following a competitive tender process, a new contractor has been selected. All tender returns have been reviewed in line with the design information of cost and quality being the main drivers.
- 4.13 In addition to the enabling works contract, the total cost to deliver Buckley Hill Lane is now £10.8m, an increase of £0.8m to that reported in December 2022.
- 4.14 Further due diligence is needed on this cost to ensure that the contractor’s proposals match the employer’s requirements and Sandway’s specification. The company also requires further detail regarding phasing of the scheme, break clauses and a cashflow. It is anticipated that final costs will be confirmed no later than the end of August 2023.
- 4.15 The company has requested an update on service diversions but as of the beginning of August 2023, 3 of the 7 diversions were completed. The delays are primarily due to restrictions on access to the highways. It is anticipated that diversions will be completed in September.
- 4.16 Cost estimates received have been confirmed as realistic by the cost consultant and are reflective of the market. Further value engineering exercises have led to a reduction in the overall contract price from the initial proposal, however, as stated above this will require further investigation to ensure all costs are included to reduce future contract variations. There are currently provisional sums within the contract sum, services and the Section 278 agreement. Further discussion is needed to finalise these costs.

- 4.17 The construction timelines provided by the contractor all indicate the site will be deliverable within dates proposed in the current business plan.
- 4.18 Of the 63 homes at Buckley Hill Lane, 45 are open market sale. As the fragility of the economy continues, the risk of unsold homes must be highlighted. Sandway has appointed an experienced external sales agent Abode to sell the properties. They have provided current open market valuations and advice on the phasing of the homes. Bellway Homes is on site close by at St Wilfrid's Place offering a similar range of house types with comparable open market values. Plots are being released and reserved which provides confidence in the current market. The first homes at Buckley Hill Lane will not handover until May 2024 and there is an acknowledged risk as to the future uncertainty of the market.
- 4.19 Subject to full Council approval, Buckley Hill Lane will additionally provide 18 apartments, a mix of 1 and 2-bedrooms across two separate apartment blocks which have been presented to the Council as an opportunity to acquire to directly deliver Council housing. The homes will be provided to households in housing need at social rent level forming part of the Council's first phase of delivering Council housing directly.
- 4.20 In May 2023 Cabinet approved the Council Housing Programme Business Plan, which outlined plans to add a further 29 council owned affordable homes from Sandway's Phase 2 programme, to add to the 18 at Buckley Hill, making an estimated total of 47 homes over the next 5 years.

5. Financial Performance

- 5.1 It was originally anticipated in 2019, that Phase 1 would deliver a profit / dividend to the council upon completion of £1.051m, which was subsequently increased to £1.350m and then reduced to £1.050m in a subsequent report received by members. This was in addition to the capital receipt from the 3 sites of £2.2m. Following the review of this first phase the following revised financial forecast has been developed: However, it must be caveated that the figure for July 2023 is based on a not yet finalised construction cost for Buckley Hill. It is anticipated that the contract sum will be confirmed by the end of August 2023.

Table 3: Updated financial forecast as of July 2023

	Business Plan forecast Sept 2020 £	Business Plan forecast Sept 2021 £	Business Plan forecast Nov 2022 £	Business Plan Forecast July 2023
Income (House Sale and Grant)	29,124,678	30,269,816	32,788,683	32,874,612
Expenditure (Construction and Fees)	(23,345,158)	(23,182,761)	(25,328,134)	(26,335,221)
Expenditure (Company Overheads)	(1,622,090)	(2,758,776)	(3,381,785)	(3,358,606)

Expenditure (Land Acquisition)	(2,232,000)	(2,232,000)	(2,232,000)	(2,232,000)
Interest	(627, 376)	(428,740)	(549,881)	(577,319)
Earnings Before Tax	1,298,054	1,667,539	1,296,883	373,467
Corporation Tax	(246,630)	(316,832)	(246,408)	(70,579)
EARNINGS AFTER TAX (Dividend)	1,051,424	1,350,707	1,050,475	300,888

- 5.2 As outlined at point. 4.16, there remains a small number of uncertainties regarding the final contract price for the Buckley Hill Lane scheme, The company hopes to have further clarity on this by the end of August 2023.
- 5.3 There are also a number of figures to clarify in terms of the final build costs, which may impact the overall dividend achieved.
- 5.4 The open market sales are uplifted in line with current valuations but will remain at risk until the properties become available for sale in 2024.
- 5.5 Interest amounts may differ depending on future potential drawdowns, which will be further informed upon the receipt of a full cashflow from the appointed contractor.
- 5.6 As part of the transition to more energy efficient homes the government has updated Part L of the Building Regulations. These changes were fully introduced in June 2023 and therefore Buckley Hill Lane is now subject to these revised standards. Although the homes developed at Buckley Hill will have even higher standards of energy efficiency reducing the impact on the environment and making them cheaper to live in there are capital cost implications for Sandway. These costs are estimated to add £5,000 per plot to the construction costs totalling £315,000.
- 5.7 From this review it can be seen that:
- The forecast base case dividend from Phase 1 has been amended and the revised dividend of £0.300m vs the previous estimate of £1.050m is outlined in the table at 5.1. Delivery of this dividend is dependent on a number of factors including construction contract price for Buckley Hill Lane, achieving estimated sales valuations and the company maintaining its cashflow position in terms of further loan drawdowns. The Council's Medium Term Financial Plan will need to be updated for this position.
 - Following a review of all current and potential sales prices for homes, the income due from Phase 1 is now expected to be £32.8m. This reflects updated valuations for properties which are sale complete. The Company also continues to track comparable sales performance on similar developments in the borough. The sales contingency contained within the plan, provides headroom for fluctuations in values, and accommodates sales incentives on future plots as the market

continues to slow. This is obviously a volatile area of the market at present and will need to be the subject of continual review and monitoring over the coming months and risk is attached to this estimate.

- Similarly, construction costs and contingencies have increased during the last 12 months that take account of inflation, supply chain issues and as outlined above changes introduced by government to the Building Regulations. The key risk in this area relates to the construction cost of Buckley Hill Lane with this yet to be finalised with the main contractor. The company has received a contract sum from the contractor, however further diligence needs to take place to ensure the contract is robust and has no provisional sums or estimates leading to future variations to the contract sum. Until negotiations are completed there is an element of risk to this figure.

- A key issue in this forecast is that with Phase 1 taking longer than previously anticipated, the company will be carrying overhead costs for a longer period that will impact upon the dividend. As has been reported most of these delays have been driven by external economic factors as well as through the redesign of Buckley Hill Lane, but the cost of the overhead has now increased to an estimated £3.35m. This is a slight reduction from the figure reported in December 2022 due to a small reallocation of overhead that should have been allocated to construction costs. In the event that a Phase 2 programme is approved and commences before the end of Phase 1, a proportion of these overhead costs will be charged against Phase 2. Although not formally agreed, the team is currently monitoring time spent on phase 2 site investigations.

5.8 As previously reported, the revised profit/ dividend is outlined in the table at 5.1 in addition to the capital receipt of £2.23m payable to the Council.

5.9 The budgeted income receivable for 2022-23 business plan period was originally budgeted to be £19.3m which comprised of £1.05m grant funding, open market sales income of £14.8, and £3.4m of sales of affordable housing to Together Housing Group, this budget originally had sales forecast for Buckley Hill Lane which has not yet become a live site. Due to various delays onsite the actual income for the period is £9.6m which is a variance of £9.7m against the original budget, this is a variance of 8 completions at Bartons Close, 21 completions at Meadow Lane and 5 completions at Buckley Hill Lane. The income has been reprofiled into the 2023-24 financial year, with Buckley Hill Lane expected to deliver first completions in Q1 of 2024-25 financial year.

Timing of Dividend and Debt Repayment

5.10 The Council was previously advised that it would be in receipt of this dividend and capital receipt in financial year 2024/25. In December 2022 Cabinet was advised that due to the issues discussed earlier in this report, without any changes to the approach to construction the dividend would be delayed until November 2025, with Phase 1 debt being repaid in November 2025. This position remains unchanged.

Loan Agreement

5.11 As previously reported, the council has approved a loan agreement between it and the company. Upon review of the agreement, changes to legislation and to

take account of changes to the Business Plan since that approval, there are a number of updates that are required: -

- Following Cabinet approval to increase the peak debt from £5.1m to £8.3m, the Loan Agreement will be updated to take account of this revised amount and given the value of the loan this will be signed under seal by the Chief Legal and Democratic Officer.
- The Agreement will be updated for the council's external auditor (and will be further updated when this changes again in 2024), and updated language following EU exit; and
- The wording in the agreement will be updated to take account of when repayment of the debt and payments of the dividend and capital receipt will take place.

6. Risks

6.1 Sandway has a risk register which is considered both in management meetings and by the Board. A summary of the main risks and mitigating actions, and the potential impact on the council is below:

Risk	Mitigating Action	Potential Impact
Supply chain – costs increase or there is a instance of supplier failure	The Local Supply Chain will be market tested during the design phase and engagement with local contractors will take place	Cost increases may further impact on the dividend
Failure to find buyers and/or to realise the predicted valuations for the unsold plots on the Phase 1 sites	<p>Ongoing monitoring of the housing market. Ensure works are measured in line with the valuations to ensure financial exposure is limited. Utilise incentives to stimulate sales if needed</p> <p>Current sales forecast is based on prudent open market sales values and a sales rate of 2 completions per month. Sales rates will also be reviewed in line with market conditions</p> <p>Sale to an investor or Registered Provider</p> <p>Retention of the properties for use as</p>	Potential impact on the dividend

	Council Housing	
Further delays on the diversion of services at Buckley Hill Lane, may lead to a review of the contract sum with potential cost increases	Monthly project meeting with the contractor to ensure site is on programme and budget	Potential impact on the dividend Reputational risk from failure to meet the obligations under the Brownfield Land Fund
Further interest rate rises impacting on mortgage rates for buys	The Buckley Hill Land contract gives the ability to pause construction if market slows	Reputational risk from failure to meet the obligations under the Brownfield Land Fund
Programme delays	Buckley Hill Lane Build programme and cashflow to be finalised. Phasing plan produced and agreed. There will be penalties if each phased handover is missed	Reputational risk for the council if there are delays or issues such as unresolved snagging works
Contractor Failure	Insolvency cover from contractor will ensure there are sufficient funds to appoint a new contractor should they be unable to fulfil the contract. This is part of the contract documents	Delays while a new contractor is appointed may lead to reputational risk

Key Risks

- 6.2 The key risk is that the dividend which was forecast in November 2022 is no longer achievable. A revised forecast has been outlined in 5.1, table 3 but Sandway is not able to confirm the dividend until the final contract sum for Buckley Hill has been approved. There are currently provisional sums in the contract sum for services and the section 278 agreement and until finalised remain a risk to the contract sum. The services can be paid up front to secure the cost at start on site but this will have an impact on cashflow.
- 6.3 The company is currently forecasting a dividend figure of £300,888. This is based on achieving the current open market values for the properties and no further increases to the contract sum. There is a risk that there will be a drop in house prices at the time of first phase completions and or that valuations will need to be

reduced as mortgage rates continue to grow and properties remain unsold. The sales risk is mitigated by adopting prudent sales values based on current price by square foot and by comparable values in the area. There are also break clauses in the contract with trickier dates and a market slow down clause allowing build to cease if there is a market crash.

- 6.4 Overall mitigation would mean sales cease and Sandway could offer the plots to a registered provider who could purchase the homes with the benefit of Homes England grant. Another option could be to sell the properties to an investor.

7. Phase 2 Business Plan

- 7.1 The company has identified two sites as part of the proposal for the Phase 2 business case: Bootle High and Bentham's Way. Grant funding proposals were submitted in December 2022 and funding of £1.03m had been allocated for investigatory works across the two sites. The grant will be administered in the same way as previous grant funding with a back-to-back agreement with SMBC. Bootle High allocation is £0.39m and Bentham's Way allocation is £0.64m. Project managers have been appointed for the investigatory works and have initiated a tender process to appoint consultants.

- 7.2 Early discussions with United Utilities have been held, and further technical reports are being produced with a view to further discussions on the approach to development of the Bentham's Way site (which may impact on number of units). Bootle High investigations are ongoing, and a pre-planning application has now been submitted to the Council, with a response awaited. There have been no material changes to this position since December 22 but a full and comprehensive update to Phase 2 will be provided to a subsequent Cabinet meeting.

8. Conclusion

- 8.1 As members are aware the country has been experiencing significant economic turmoil all of which has impacted on the operation of the housing sector and of the company. Prior to this delivery of the Phase 1 Business Plan was strong, progressing well and properties which were being developed were popular with buyers and were being sold as soon as they were completed.
- 8.2 However, the economic turmoil has impacted Sandway as it has on all housing developers and this has resulted in more uncertainty and risk, and as is outlined in the body of this report a forecast reduction in the dividend to £300,888 and a delay to completion of Phase 1 of the Business Plan of 4 months to November 2025 based on the last updated to Cabinet in December 2022.
- 8.3 Despite the challenges, the risks are being managed closely and adjustments have been made to the delivery of the final site at Buckley Hill Lane to provide more control, notably the inclusion of phasing arrangements in the contract so that delivery can be slowed down should sales also slow further. The company has a strong and growing brand profile, a popular product and is working closely with marketers to continue to deliver in the most challenging of contexts. Testament to the confidence in the quality of the product can be evidenced by virtue of ongoing

interest in the properties currently marketed for open market sale, by a number of Housing Associations.

- 8.4 Had the Council disposed of these sites to private developers, it would have simply received a capital receipt (which in all likelihood would have been eroded over time and through negotiation, due to market conditions and impacts on deliverability and viability). Sandway has not sought to renegotiate, and the Council can be reassured of receiving the originally negotiated capital receipt. It has provided a loan facility which it benefits from a return on as well as repayment, and the company is also delivering a dividend (albeit this has reduced for all of the aforementioned reasons).
- 8.5 The Company has also made great efforts to deliver housing estates which are fully Policy compliant, and deliver the highest standards of development, internal and external spaces, interface distances and gardens, affordable housing and other infrastructure and obligations. All, thus far, on Brownfield sites which have proven hitherto to have an absence of any major market interest and to be challenging to develop in many ways.
- 8.6 The Company continues to deliver housing numbers, housing quality and a return to the Council, all of which underpinned the original aims and objectives of the initial business case, and all those iterations reported subsequently. Any further changes to either the risk profile, or the actual or forecast company outputs will be reported to Cabinet.