



Shropshire
Council

Finance & Improvement
Scrutiny
7 September 2026

Cabinet
9 September 2026

Public

Cornovii Developments Ltd

Cabinet Member:	Councillor James Owen, Portfolio Holder for Housing Councillor Roger Evans, Portfolio Holder for Finance	
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Service Area:	Finance	
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Electoral Divisions Affected	All	
Key Decision?	Key Decision	
Cabinet Forward Plan	Yes – 17 April 2026	
Report considered by	Finance & Improvement Overview and Scrutiny Committee – 7 September 2026 Cabinet – 9 September 2026	

1. Purpose of Report

- 1.1. This report considers options for the Council's future relationship with Cornovii Developments Ltd (CDL). CDL is the wholly owned company established by the Council in 2019 with a view to building houses within Shropshire. The recommendation is for a structured closure of CDL over a period of time, likely to be a minimum of 18 months.
- 1.2. As a key part of this decision, it is critical to reflect on both the operating model for the company which is dependent on a consistent flow of sites for development and associated loans from the Council and also the financial emergency declared by the Council in 2025 and the consequential need for Exceptional Financial Support (EFS) from government.
- 1.3. The latter impacts fundamentally on the ability of the Council to borrow for anything other than to meet statutory or regulated requirements. Therefore, any prospect of the Council taking out new borrowing to fund CDL activity is, in practical terms, unrealistic in the medium term and leaves CDL in a position where it will be increasingly unable to generate surpluses to repay debt.

Importantly, the report reflects on recognition in the recent MHCLG report that led to the Non-Statutory Best Value Notice. The report noted that that the Council is no longer in a position where it can afford to fund CDL activity.

- 1.4. The recommendation is therefore made based on the evaluation of several options. The option recommended is the economically least disadvantageous to the Council. The report offers details on the evaluation of each option but explains why some are simply not viable given the financial position of the Council's balance sheet. Alongside the option, the report also sets out key activities that need to be undertaken subject to Cabinet's agreement to this option that will need to be set in motion together by both the Council and CDL.
- 1.5. These include refreshed governance arrangements for both the Council and CDL to give proper oversight to the closure of the Company, management of financial provisions within the accounts of both organisations, completion of part complete planning applications by CDL and the disposal of sites either to the Council or to other third parties.
- 1.6. The report does not attempt and is not intended to account for the history of CDL from inception to mobilisation and subsequently delivery of housing. However, as for several other local authorities who have experienced similar difficulties with trading companies, there are clearly lessons to be learned from the experience that need to be avoided in future. These will be addressed separately and as part of changes in the Council's constitution and financial standing orders with regards to arm's length companies.

2. Recommendations

Cabinet is recommended to:

- 2.1. Note the financial circumstances currently facing the Council and especially the limitations on borrowing arising from EFS commitments in at least the short and medium terms.
- 2.2. Note the financial circumstances of CDL as illustrated by their most recent balance sheet and the need for the Council to act in order to maintain solvency of the company in the absence of Council funding for future development activity.
- 2.3. Approve the structured closure of the Company over a period of time (Section 4; Option 6) in order to minimise the financial exposure to the Council and to seek best consideration to the Council from any property and land disposals and transfers.
- 2.4. Note that this decision is consistent with the requirements set out in the Financial Sustainability and Recovery Strategy agreed by Cabinet in July.
- 2.5. Authorise the s151 Officer with support from the Monitoring Officer to notify formally the CDL Board of Directors of the decision of the Cabinet to close the company.
- 2.6. Instruct the two statutory officers to bring together a governance structure which works together with CDL to ensure an orderly closure of the Company and the future management and ownership of land and property.
- 2.7. Approve funding for CDL to complete planning applications for London Road Phase 2 and for SUE West sites in order to maximise the future value of the sites, as housing developments as originally requested.
- 2.8. Authorise the s151 Officer to ensure that CDL has sufficient funding to remain solvent whilst completing planning on the schemes in progress and the sale or transfer of sites as set out in this report.
- 2.9. Note the estimated cost to the Council arising from the closure of CDL and delegates to the s151 Officer and Monitoring Officer to take actions necessary to ensure that the company remains solvent.
- 2.10. Note that as estimated costs arising from the closure will be included within the next Medium Term Financial Plan to be presented to Cabinet in November.
- 2.11. Instruct officers to ensure that additional and appropriate professional support and advice as necessary throughout the period of closure to ensure full compliance with company law and local government regulation.
- 2.12. Instruct officers in consultation with the CDL Board of Directors to ensure that their tenants are kept fully informed of changes that will be made and that those tenants are in no way impacted adversely by the closure of CDL

3. Background

- 3.1. The Council is the sole shareholder of Cornovii Developments Ltd (CDL), which was established in 2019. The achievements of CDL since inception are set out in Appendix A.
- 3.2. CDL has a Board of Directors that has included Council representation and has, until recently, been subject to oversight from the Council's now disbanded Housing Supervisory Board, their responsibilities now being transferred to Cabinet. Earlier in the year and as required by their standing agreement with the Council, CDL presented a refreshed business plan based upon previous discussions and indications of intent from the Council. This Draft Business Plan needed to reflect the fact that earlier Council intentions no longer reconciled with the financial position facing the Council and especially the Council's ability to commit to further borrowing to invest in CDL projects.
- 3.3. As a result, the S151 Officer has undertaken a fundamental balance sheet review of the Council's relationship with CDL. Based simply on published information and the draft CDL accounts for 2025/26, the Council has negative equity in CDL, which is offset in part by surpluses generated by the increased valuation of investment properties.
- 3.4. The review has confirmed that some work in progress will need to be written off, subject to the Council securing as much value from that work as possible insofar as it relates to sites that may be available for future development.
- 3.5. Accounting arrangements for Work in Progress and asset valuations will continue to be subject to review by CDL's external auditors and consolidated in the accounts of the Council.
- 3.6. The review further confirmed that the Council has loaned to CDL £35.19m as at 31st March 2026. This level of funding would need to be increased for any of the schemes currently in planning or design stages to be physically built and completed.
- 3.7. It is recognised that the 2026 Draft Business Plan for the company is based on a number of assumptions which, if they were to all fall into line, would give CDL a modest overall surplus by 2033. However, not least with regard to the nature of the housing development business and market volatility, it is considered unlikely that this alignment will happen and that therefore losses to the Company may become more likely in the future.
- 3.8. In any event, the Council's overall financial position is such that it would be in no position to loan the required funds. In view of this fact, the review has moved on to consider alternative options to maximise the potential loan repayments to the Council.
- 3.9. The option recommended in this report is to secure planning permission for two of the remaining schemes and to consider all options to dispose or acquire the Council's interest. A similar consideration of all options in relation to the private rented stock held by the Company will be undertaken before any final decisions are made.

- 3.10. On present assessments this approach will lead to a minimum overall loss of on the Councils total investment in CDL of around £4m. This will remain subject to assumptions prevailing at the point of closure that the Council will wish to minimise.
- 3.11. In particular, the write off will be determined by several factors such as market conditions, the timings of any transfer or disposal and the need for the Council to achieve best consideration on any transaction.

4. Summary of Recommended Proposal

- 4.1 Given that there is no realistic opportunity in the medium term for the Council to be able to fund the current Draft Business Plan, there is a need to consider the future of CDL. Six options have been considered for the future of CDL. These options are set out in Appendix A of this report.
- 4.2 On the basis of the assumptions presented in the report, no option provides a full return to the Council of the loans made to CDL or the equity interest held. The least disadvantageous option considered is option 6. This involves further expenditure by CDL on completion of planning on two sites; there would be benefit in allowing CDL to complete these applications and the value of the sites would be enhanced as a consequence. The cost of completing this work will need to be funded by the Council.
- 4.3 There is a restricted window of opportunity for the Council to make a decision on the future of CDL, and each month of delay adds to scheme risk and uncertainty, so the earlier the in principle decision is made on the Company's future the better.
- 4.4 Following a review of options available (Appendix B), this report is recommending a structured closure of CDL over a period of time, not likely to be less than 18 months and potentially longer depending on market conditions.
- 4.5 All of the options considered involve costs to the Council and the recommended option attempts to minimise unnecessary financial exposure. Alternative options are set out in the Appendix and are rejected for a number of reasons including but not least the inability of the Council in the medium term to be able to fund future investment in CDL. This is in the context of the financial emergency that it faces and a practical assessment of the viability of the company in the absence of any Council finance.
- 4.6 During the period of closure, new governance will be created including reviews of the CDL Board and the Council's 'client' function. This governance will focus on the commercial, legal and financial issues involved in company closures and the need to protect the rights of tenants.
- 4.7 Through the period of closure and for each transaction, the Council will continue to take any additional professional advice that becomes necessary to close the company successfully and to confirm at each stage that the Council and CDL are fully compliant with law and regulations. It is recognised that the closure of companies are complex matters especially where this involves land and property

matters. Therefore, the project will need the closest scrutiny from both the s151 and Monitoring Officers.

4.8 The critical issues for the Council to consider as part of this decision include but are not exclusive to:

- The timing and sequence of events leading to Company closure and the governance necessary to guide the process.
- The inter relationship of these events for STaR Housing (the arm's length management organisation for the HRA) including CDL staffing and personnel implications.
- The maintenance of continuous and uninterrupted service to existing CDL tenants including those in private rented sector and shared ownership.
- The need for an orderly and managed closure for the company and appropriate management of debtors and creditors through that process.
- The balance sheet management of the transfer of assets and termination of loan agreements between the Council and CDL including any consultation necessary with the Council and CDL's external auditors.
- The future of the PRS units maintained by CDL and their future sale or transfer.
- The partially completed planning applications for two sites namely London Road Phase 2 and SUE West and the funding from the Council required to complete this work.
- The write off of any work in progress carried out by CDL that has no future value to the Council (e.g. early planning work on sites not being progressed) and the assurance that any residual value from the work is maintained.
- The tax efficient transfer or disposal of any site formerly acquired by CDL and to receive professional advice on any preferred option.
- Any staffing or personnel issues (including any potential TUPE implications) arising from the closure.

5. Alternative Options

5.1. In total, six options were considered for the Council's future relationship with CDL and these are set out in Appendix B. The options have, where appropriate, been tested against Net Present Value (NPV).

5.2. The following key financial assumptions have been used in the review of options :

- Loans outstanding are as of 31st March 2026;

- Property values for PRS units are as per balance sheet or purchase value for units bought in April;
- That all owned property would transfer at book value or in the case of Rent to Buy revaluation values;
- Work to reach Development approval stage is valued at cost incurred to date plus estimated cost to reach completion less any known losses on schemes;
- Work undertaken on the Shirehall project is funded at cost by the Council assumed to be up to £886,000 based on scheme cash flows; if this is not funded then the cost incurred will increase the level of loans unrepaid;
- All values have been taken as of March 2026. However, where there are cash flow implications then Net present value (NPV) figures of future costs and incomes have also been calculated.

5.3. The options considered were as follows :

- Option 1 - Closure of Company with immediate effect
- Option 2 - Build out of units 'on site' but no further activity on other sites that would be disposed of
- Option 3 - Continue to complete all sites in programme that have funding agreed in principle
- Option 4 - Carry on with Company and review new opportunities
- Option 5 - Sale of Company
- Option 6 - Complete build out of units on site bringing other sites up to next stage of development; other sites either disposed of or transferred to Council

- 5.4. On the assumptions set out, none of the options considered have a positive financial outcome for the Council as they are not able to provide a full return of the Council's loans or its equity interests.
- 5.5. The report concludes as set out above that the least disadvantageous option would be option 6. This option also demonstrates the optimum Net Present value of all the options where NPV can be applied. The preferred option will involve some further expenditure to the Council in order to complete planning on two sites that have advanced to a point near completion. Given the advanced status of the work, it is not considered that it would be appropriate for this knowledge to be transferred back to the Council or to another third party without risking loss of continuity leading to a longer delivery time and potentially incurring further costs.
- 5.6. Overridingly, given the current trading position of CDL which will make it increasingly difficult to make interest repayments back to the Council as their pipeline of work has been suspended by the Council, there is an urgent need for the Council to make a decision on the future of CDL as any delay adds risk both to the status of CDL's balance sheet. This may ultimately and inadvertently compromise their solvency and would not be in the best interests of either themselves or the Council.

6. Financial Assessment

- 6.1. In approaching the assessment of the position of the Council in respect of CDL, all public documents relating to CDL including the accounts and Business Plan have been reviewed in addition to wider company documentation including reports commissioned by CDL such as property valuations.
- 6.2. The review has been objective, and the conclusions have helped inform the recommended option given the facts available; this of course in the context of the financial emergency, Exceptional Financial Support from Government and the Non-Statutory Best Value Notice issued by MHCLG.
- 6.3. The financial assessment looked particularly at the Council's balance sheet position and considered not least the future implications for the continuation and closure of the company. The assessment was carried out by the s151 officer and has involved the gathering of information from both CDL and Council sources. At all times, CDL have cooperated fully and added value to the assessment.
- 6.4. The assessment addressed issues including CDL performance and profitability, funding arrangements and valuations. It also reviewed the Draft 2026 CDL Business Plan including the financial forecast and impacts of market rents, new build, overheads staffing and schemes still in design or planning. The assessment also considered the importance of ensuring trade debtors are paid in full during the relevant period.
- 6.5. This assessment has confirmed the difficult circumstances in which CDL find themselves; the financial constraints on the Council are well known. In the event of the Council being able to lend at scale to CDL, it would still take some years for the company to achieve sustainable profit levels. Equally and again subject to the Council's ability to borrow, payback on any investment would not be achieved for many years, and this during a period when the Council needs to achieve financial sustainability and recovery which means eliminating any non-critical debt.
- 6.6. The assumptions used are the best available and subject to change over time and to different interpretations. However, it should be noted that the assessments help conclude on the best way of achieving closure and not the need for closure itself which is driven by financial imperatives for the Council. In essence, the impact of variations to the assumptions are marginal and would not impact on the decision to close the company in a structured way over a managed period.
- 6.7. During this period there will be a need to maintain commercial confidentiality to ensure the best return for the Council.

7. Council Priorities

- 7.1. In respect of this report and the recommendations included, Council priority must be to achieve Financial Sustainability and Recovery as set out in the Strategy agreed by Cabinet in July. Relevant points in that Strategy relate to the review of non-statutory and commercial activity, the minimisation of borrowing and the potential disposal of assets in order to reduce the Council's need to borrow under Exceptional Financial Support.

8. Financial Implications

- 8.1. The report recommends the structured closure of CDL over a period of time. It is estimated that at full closure, the exposure to the Council will be a minimum £4m. This will be driven by many factors such as market value, accounting treatments and timing.
- 8.2. Realistically, there is no other practical solution to the future funding of CDL, and the constitution of the Company did not allow for a situation where funding from the Council would not be available. Furthermore, the complexity of sites allocated to CDL have in some cases been likely to present scheme viability issues that are bound to impact on timing and viability, thereby compromising profit potential for them. Looking forward, CDL profitability cannot be improved without significant further Council investment. This would have to be funded by borrowing, which the Council simply cannot afford, as referred to in the recent MHCLG report.
- 8.3. Subject to Cabinet agreement to the recommendation in this report, the s151 Officer together with the Monitoring Officer will meet with the Board of Directors of CDL to agree governance arrangements for the period of closure for the company and the Council in collaboration.
- 8.4. A detailed plan will follow once agreed, including a view on completing two outstanding planning applications, agreeing asset disposal, sale or transfer options for CDL sites, accounting arrangements within both organisations all leading to the formal closure of the Company.
- 8.5. Provision will need to be made within the forthcoming MTFP for the closure of CDL and decisions made on the incidence of these events within the accounts of both the Council and CDL.
- 8.6. Subject to agreement by Cabinet, the s151 Officer and Monitoring Officer will meet with the Board of CDL and agree future governance arrangements and a plan for closure.
- 8.7. The Improvement Board and MHCLG will also be notified of the Cabinet decision at the earliest opportunity, not least given the efforts being made by the Council to manage risk but also the write off in value estimated to be incurred by the Council.

9. Legal and HR implications

- 9.1. The Council, as sole shareholder of Cornovii Developments Ltd, has the necessary powers to consider and determine the future governance and operational arrangements of the company. The recommendations within this report are directed towards achieving an orderly and structured implementation of Cabinet's preferred option, whilst seeking to protect the Council's legal, financial and commercial interests.
- 9.2. The Council is continuing to obtain external specialist legal, insolvency, taxation and accounting advice in relation to the detailed implementation of any approved

course of action, including matters relating to corporate governance, funding arrangements, asset disposals, creditor interests, taxation, and the most appropriate mechanism for the company's future operation and eventual closure.

- 9.3. The recommendations specifically provide for further professional advice to be obtained where required and for detailed governance arrangements to be established by the Section 151 Officer and Monitoring Officer to oversee delivery. The Council will continue to consider this specialist advice, and the need for compliance with all relevant statutory, fiduciary and contractual obligations.

10. Electoral Division Implications

- 10.1. There are no implications arising directly from this report.

11. Equality and Diversity Implications

- 11.1. There are no implications arising directly from this report.

12. Climate Change, Biodiversity and Environmental Implications

- 12.1. There are no implications arising directly from this report.

Appendices

Appendix A Overview of Cornovii Achievements since 2019

Appendix B Alternative Options

OVERVIEW OF CDL ACHIEVEMENTS SINCE 2019

Since the creation of the Company in 2019, and by March 2026, CDL have delivered 196 new homes across Shropshire, comprising:

- 68 affordable homes
- 56 homes for open market sale
- 56 private rented homes
- 16 rent-to-own homes

This mixed-tenure approach has widened housing choice and created different routes into a suitable home, including affordable rent, shared ownership, private rent, rent to own and outright purchase. A total of 55 homes were transferred to Shropshire Council for affordable rent and shared ownership. CDL has also incorporated bungalows and smaller homes within its developments, responding to the needs of older households, smaller households and residents seeking more suitable accommodation. The company has successfully progressed complex sites that other developers had not brought forward, helping to unlock land for housing.

The housing programme has demonstrated a strong local focus. Seventy-five per cent of purchasers and 96% of private rented customers had a connection to Shropshire. In addition, 46% of the rented homes were occupied by key workers, while 4% were occupied by veterans or members of the Armed Forces community.

Delivery has supported Shropshire-based contractors, suppliers and employment with all contractors being Shropshire-based contractors. Contractors have also provided apprenticeships, work placements and engagement with local schools, extending the benefits of the programme beyond the homes themselves.

CDL has sought to deliver homes that are practical, adaptable and designed for long-term use rather than simply meeting minimum requirements. Its developments have incorporated:

- Fabric-first design principles to improve warmth and energy efficiency
- Enhanced space standards
- Solar panels on every home
- Electric vehicle charging provision
- Timber-frame construction

These standards have helped create a recognisable CDL housing offer centred on quality, sustainability and the needs of residents, meeting eco standards before they were required by building regulations.

CDL has maintained independent external and internal audit arrangements throughout its operation. The company received unqualified external audit opinions every year from 2019/20 to 2024/25. Internal audit reviews provided substantial assurance in 2023/24, 2024/25, and 2025/26, with no limited or unsatisfactory opinions reported.

CDL continued to deliver through the effects of the COVID-19 pandemic, construction cost inflation, supply-chain disruption, higher interest rates, and changing housing market conditions. The company responded by adjusting the tenure mix, introducing additional routes into home ownership, and considering alternative ways of placing completed homes.

Cornovii Development Ltd

Review of Future Options

Having considered the shareholders return, each individual option has been reviewed in the light of the current Draft Business Plan, updated information from CDL, and with regard to the Council's financial position. This includes the ability to raise loans, the potential impact on the Council's balance sheet (i.e. how much of the outstanding loan would be recoverable and impact on revenue income and expenditure).

The following key assumptions have been used in the options review:

- Loans outstanding are as of 31st March 2026;
- Property values for PRS units are as per balance sheet or purchase value for units bought in April;
- That all owned property would transfer at book value or in the case of Rent to Buy revaluation values;
- Work to reach Development approval stage is valued at cost incurred to date plus estimated cost to reach completion less any known losses on schemes;
- Work undertaken on the Shirehall project is funded at cost by the Council assumed to be up to £886,000 based on scheme cash flows; if this is not funded then the cost incurred will increase the level of loans unrepaid;
- All values have been taken as of March 2026. However, where there are cash flow implications then Net present value (NPV) figures of future costs and incomes have also been calculated.

The options in the brief have been considered as shown below.

Option 1 - Closure of Company with immediate effect

The Council could, as the sole shareholder, withdraw support and in effect close the company with immediate effect.

This would almost certainly lead to the company going into administration and the Council effectively losing control of the company. Although the company is in a hiatus in terms of development activity with schemes in design and all other schemes being practically complete or being in defects liability.

There are still issues concerning the company's responsibilities both in respect of any properties in warranty periods or as landlord for the PRS units. In the case of the PRS units, these will need to be managed to new ownership, and this will take time to achieve best value to CDL and therefore to the Council.

An immediate closure would leave a number of complex outstanding that would need immediate action. The demands that this would make on already stretched resources would not be practical as the Council cannot have direct responsibility in law for the PRS units, and this cannot be resolved immediately as it will take time to find a purchaser for those units which represent the Company's sole investment asset. A structured closure

CDL over time would therefore be preferred. A structured closure would ensure that maintenance responsibilities are fulfilled and completion of assets being transferred, either to the Council or sold on

As this option is not a practical proposition, and as such no cost assumptions have been made.

Option 2 - Build out of units 'on site' but no further activity on other sites that would be disposed of

This is in effect a variant of option 1 but has the managed run down and completion of defects responsibilities on site whilst allowing time for issues on the sale of the PRS schemes. Realistically this would take up to a year. The sites under design would not be taken to the next stage and are assumed to be disposed of in line with Council policy.

It is estimated that there would be a shortfall in loans recoverable of around £5 million. As this likely to happen within the next 12 months there is no separate NPV calculation.

Option 3 - Continue to complete all sites in programme that have funding agreed in principle

This option would effectively adopt the Draft Business Plan and assumes that, by 2033, the Council would have received a net profit from the company's operations of around £2m (in effect all loans would be repaid). However, this is built on a range of highly optimistic of assumptions which are contained in the Draft Business Plan.

It also assumes that funding going forward is agreed and cannot be revoked. This is implied in the draft 2025/26 accounts which states that "debentures relates to loan facilities. At 31 March 2026, the committed borrowing facility was £69,000,000 (2025: £49,000,000) of which £30,000,000 (2025: £33,100,000) was undrawn."

However, the Council is not in a position to undertake the additional borrowing burden that this would require in the foreseeable future and the underlying risk burden of borrowing for such purpose and in a naturally volatile housing market. Given these circumstances the Council would wish to invoke the material adverse change clause contained within the agreement with CDL to justify the Council being unable to provide the full loans. This is over and above the current financial emergency facing the Council.

The Draft Business Plan itself makes it clear that there are a range of factors which could adversely impact this performance including interest rates, build costs and income yields. A 5% negative variance in income or a 4% variance in costs over the scheme's life would eliminate any profit. That is without considering interest rates which are assumed to fall by 1-1.5% in this year alone; this seems highly unlikely at this time and assumes that the rates currently charged are not in breach of the Subsidy control regime.

This option would also require the Council to forward fund the development of new schemes. The profile of new loans is shown in the graph below which shows lending increasing to over £51 million in 2028, an increase of over £16m from March 2026

[OBJ]

However, the overriding considerations are to consider whether CDL can achieve a profit after overheads when, on building activity, it has failed to do so to date. Also, to consider whether the Council can afford to carry the risk of any losses going forward? Additionally, consideration of affordability to the Council of increasing debt when the demand for EFS remains significant.

A forecast based on costs rising by just 2% above forecast and values dropping by 3% gives a shortfall on loan repayments of around £8.2 million. The latter has to be the more likely scenario. Due to the extended cash flows of this option.

The estimated NPV cost of this option is £10.46m.

Option 4 -Carry on with Company and review new opportunities

This option is an extension of Option 3 and is only worth considering if option 3 is considered to be a viable option.

No costings have been made on this as they would be the same as option 3

Option 5 - Sale of Company.

The Council could consider either the immediate or future sale of the company to a third party. This may include responsibility for any defects on completed schemes, and land and design work on future schemes.

Given the low margin achieved to date by CDL, and the level of their outstanding debt to the Council, it will be challenging to achieve the sale of the company as a going concern with a sales value likely to be acceptable to the Council.

Overall likely loss of loans is between £7 million and £8 million. As this would likely happen within the next 12 months there is no separate NPV calculation.

Option 6 - Complete build out of units on site bringing other sites up to next stage of development; other sites either disposed of or transferred to Council

This option is a variant of option 2 and would enable the company/Council to crystallise the value from completing design work on the schemes in design, including planning approval, with the estimated cost of this work being £0.615 million based on information provided by CDL. Specifically, this is work on London Road phase 2, Mount Pleasant, Oswestry SUE & Shrewsbury SUE West schemes.

Without this work, the work undertaken to date, which is of a similar value, would probably need to be written off by the company reducing the 'value of the company transferring to the Council'. Funding to complete the work would of course need to reconcile with the Council's future plans for disposal or other use of the sites. In addition, the Council may wish to take a view on the buildability of some schemes.

With regard to what happens to the sites going forward, the undeveloped sites if already transferred to the company, could be either transferred or acquired by the

Council for disposal on the open market, or sold by the Company if in their ownership. It is assumed that the value obtained would recover costs incurred to date. There has been no assessment of the tax liability to the Council of this transfer. It is assumed that sites still in the Council's ownership will be sold on the open market in line with Council policy.

It should also be noted that the PRS sites would need to be either held by the company and at some stage be disposed of to a third party as, at present, the Council cannot operate market rent housing.

Overall, on this option there is likely to be a loan shortfall of £4 million. On the assumption that the PRS units are sold within two years, the NPV cost of this option is £3.44 million. This is assumed to be the lowest cost option to the Council.

This final option is considered to represent the best value to the Council. In any event, there are further key considerations that the Council would need to address when deciding the implementation of the agreed adoption, exact form and scale of how the option can be delivered.