

APPENDIX 1 - PROGRESS ON THE INDEPENDENT REVIEW RECOMMENDATIONS ON TVDL

Recommendation	Progress	Responsible Officer	Status
[1] The Council should clarify the rationale for the retention of the company, including the role that the company should have, in developing sites outside of the Borough, with a full understanding of the potential risks involved. (See also recommendation 8)	A discussion paper on the future direction of the Company was presented to the TVDL Shareholders Committee in June 2022, and a proposed way forward is set out in this report.	Chief Operating Officer	In progress
[2] TVDL should review the fee being charged to the HRA for development services, to ensure it accurately corresponds to the costs it incurs in delivering those services. Without a job recording system, it is not possible to accurately determine how staff time has been spent between HRA and open market housing development. For the Council to preserve the integrity of the principles of the HRA and assuming the intention is to continue to use the company to develop housing for its HRA then such a recording system will need to be introduced.	It is proposed that TVDL will charge a developer fee to only cover the cost of its overheads on Council schemes based on a simple time recording system. This would cover both pre-development and development activity delivered by the company for both the GRA and the HRA.	S.151 Officer	In progress
[3] The targeted development of a viable, deliverable pipeline of new properties should be a high priority for TVDL and for the Council. While it is recognised that there may be a certain degree of uncertainty around some longer term opportunities, the Council should not approve business plans in future unless, and until, it is satisfied that all elements of the business plan are clearly identified, appropriate to its requirements, financially viable and deliverable.	Potential sites and options for future development have been presented to the TVDL Shareholders Committee. A new Business Plan will be drawn up when the future direction of the company has been agreed.	S.151 Officer	In progress

<p>[4] The Council should establish the structures and mechanisms, and develop its housing market insight, to ensure that there is clearer alignment, where it is appropriate to do so, between the Borough's housing need, the Council's objectives, and the work of TVDL.</p>	<p>Consideration was given to this issue in the Reset and Refocus report presented to the TVDL Shareholders Committee meeting in June 2022, and in section 6 of this report.</p>	<p>Head of Housing & Regulatory Services</p>	<p>In Progress</p>
<p>[5] TVDL should review and amend its accounting policies for revenue recognition and stock to make them appropriate for the activity they are engaged in.</p>	<p>Officers have read & reviewed the LP report, TVDL Financial Statements and FRS102, in addition to confirming with TVDL that stock/WIP are pre-contract costs for sites in the approved business plan and costs for schemes in stock/WIP are transferred to I&E at the point WLBC sign the Development Instruction, with revenue then being recognised.</p> <p>Officers have confirmed with LP, that whilst LP did not identify any incorrect accounting treatment, the accounts require the inclusion of an accounting policy / disclosure for revenue & cost recognition of construction contracts that is appropriate for the activity of the company.</p> <p>TVD will review and update its accounting policy and disclosure requirements for revenue & cost recognition of development contracts & open market activity and agree these with their auditors, Beevers and</p>	<p>S.151 Officer</p>	<p>In Progress</p>

	Struthers, for the 2021/22 Financial Statements.		
[6] The Council and the company should review the financing structure of the company and the process for extending debt and equity support to it. We are aware that there is a gateway process in place which is designed to control the commitment of company resources to individual projects as they progress through the development lifecycle. The source of project funding as well as the quantum should be assessed at these gateway stages with approval processes updated as part of the governance recommendations made later in this report.	<p>A detailed report on the future financing structure of the Company was presented to the TVDL Shareholders Committee in June 2022.</p> <p>It is proposed that no further equity funding is provided to TVDL and that the level of loan funding will be managed more actively to reduce the volatility and average level of cash holdings of the company.</p>	S.151 Officer	In progress

<p>[7] The Council needs to reappraise its risk appetite for commercial housing development in the light of the changing economic climate and the geographic restrictions that the new Prudential Code is likely to bring. This appraisal should include an assessment of the pipeline potential that exists for open market housing development within West Lancashire as well as consideration of other Council housing and non-housing development opportunities that may be open to the company.</p>	<p>A discussion paper on the future direction of the Company was presented to the TVDL Shareholders Committee in June 2022, and a proposed way forward is set out in this report.</p> <p>Having clarity around the objectives of the Company will then enable officers to bring a revised Business Plan forward which considers pipeline potential.</p>	<p>S.151 Officer</p>	<p>In progress.</p>
<p>[8] The Council should review the decisions that can only be made by the shareholder at full council to improve the ability of TVDL to progress developments in a timely manner</p>	<p>Members have approved the establishment of a new TVDL Shareholders Committee with clearly defined terms of reference following consideration of the LP report.</p> <p>A report to develop decision making arrangements further could be brought back for Member consideration if required.</p>	<p>Monitoring Officer</p>	<p>In progress</p>
<p>[9] The Council should review the purpose and role of the Officer's Working Group and wider engagement with TVDL in order to clarify and strengthen its roles as critical friend and enabler to TVDL</p>	<p>A report on this issue, including the Terms of Reference for this Group, will be brought back to a future meeting of the TVDL Shareholders Committee.</p>	<p>Monitoring Officer</p>	<p>In progress</p>

<p>[10] Consider the delegation of certain reserved matters to a sub-committee of the Council (a members Shareholder Committee) in order to speed up decision making and enable more transparent scrutiny of TVDL. This forum could potentially replace the Shareholders Cabinet Working Group and its refreshed terms of reference include:</p> <ul style="list-style-type: none"> • Oversight of decisions requiring approval by the Council, such as business plan approval • A mechanism to communicate the shareholders' views to TVDL • A means to evaluate the effectiveness of the TVDL board and the delivery of performance against strategic objectives and the business plan • An articulation of what success looks like in terms of achieving social/ economic outcomes and/or financial performance • A holistic review of risk to the council offered by TVDL activities 	<p>Members have approved the establishment of a new TVDL Shareholders Committee with clearly defined terms of reference following consideration of the LP report.</p>	<p>Monitoring Officer</p>	<p>In progress</p>
<p>[11] Establish a clear client (shareholder) officer role (reporting to the Chief Operating officer), potentially through the establishment of a Shareholder Board. Any officers involved in the shareholder role should not be on the TVDL Board.</p>	<p>This issue will be considered once recommendation 9 has been progressed.</p>	<p>Monitoring Officer</p>	<p>Not yet started.</p>

<p>[12] The Council should consider removing the S151 Officer from the board and placing the Section 151 officer into a shareholder role (for example as a Shareholder Board member). This may in turn require the TVDL board to strengthen its finance capability. It would be appropriate for the Corporate Director of Transformation and Resources to remain on the Board if his council role does not involve oversight of TVDL.</p>	<p>The S151 Officer has resigned from the Board, and has been replaced by the Deputy S151 Officer.</p>	<p>Monitoring Officer</p>	<p>Completed</p>
<p>[13] The Council should only consider appointing an elected member(s) to the board of it is clear that they can bring specific skills and qualifications which are needed by TVDL (rather than by virtue of the fact that they are elected members) and that there is no potential for a conflict of interest arising.</p>	<p>It was resolved that a response to this recommendation was not required at the TVD Shareholders Committee on 28th March 2022</p>	<p>Monitoring Officer</p>	<p>Not required</p>

APPENDIX 2 OPEN MARKET SALE – RISK V REWARD

Stage of Analysis	Description	Mitigation
Site Selection	Location and Market Intelligence	Identifies Sound and Stable Housing Markets -Will Houses Sell Without Delay/Problem.
	Availability and Title	Review and Assess Complexity of Ownership>Title/Availability.
	Price of Land	Does the Price Reflect the Location
	Planning Status	A Site With Planning Approval Will Cost More But has More Value
	Tenure Mix	A Mix of Tenure May Offer the Opportunity for Block Sales
	Initial Appraisal	Conduct Initial Appraisal Based on Land, Estimated Build Cost and Estimated Value of Sales.
	Initial View on Profitability	A Gross Profit Parameter of Circa 15% is assumed.
	Engage QS/Architect	Independent Review
Site Planning, Appraisal Cost and Value	Detailed Planning if Required	TVD has leading project appraisal software used alongside the 'gateway' development process for assessing and securing TVD Board approval to the progression of a site.
	Detailed Appraisal	Appraisal includes stress testing of development assumptions and intelligent procurement of materials. Independent Valuation Done to Confirm Development Value Prior to Submitting Plans and /or Tendering for Works. Costs for Planning Established if Necessary and Plans Submitted Accordingly. Contractor would Price Scheme only Once Planning Approved.
	Contractor Tender Pricing	
	Independent Market Valuation and Comparable Sales	

	Analysis	
Site Delivery	Market changes during delivery	TVD deploy a robust project management approach involving regular monitoring of site planning and activity, procurement and performance, to remove or minimise delay and manage risk. Health and Safety risk managed by TVD.
Site Exit	Site decommission and Sales	Site exit as per agreement with principal contractor, including defects period. Market Sales process will be factored into cost appraisal. Sales begins when Construction Site is Live. Sales Prior to Completion Preferred.