

CORSERV

www.corservltd.co.uk

BUSINESS PLAN

2023-2027



A CORNWALL
COUNCIL COMPANY

“Working together to improve the
lives of people in Cornwall.”



Financial highlights

Revenue
2026/27

£283.0m

2022/23 £192.2m

+47%
increase in
revenue

Profit before tax
2026/27

£13.1m

2022/23 £5.1m

+256%
increase in
profit
before tax

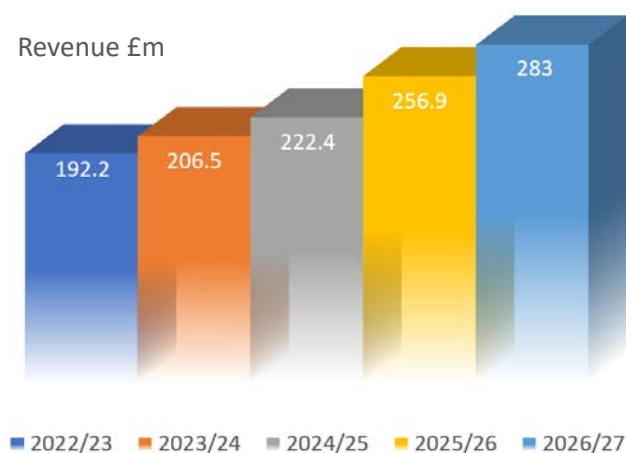
Cash return
2026/27

£5.6m

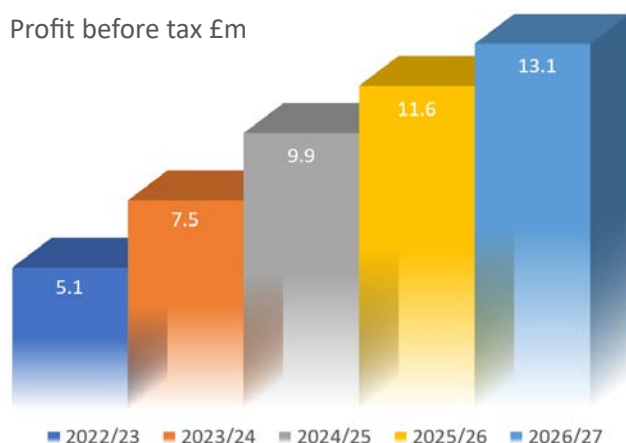
2022/23 £4.8m

+17%
increase in
cash return

Revenue £m



Profit before tax £m



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Group Strategy at a Glance

Highways, Environment and Civil Engineering

Cormac will grow over the next few years through our external business with both local authorities and the private sector in the South West. Council business is being impacted as a result of recent financial pressures. Despite this, we intend to develop a business which will deliver £7.0m profit by 2026/27.

Cormac Solutions Limited will see a reduction in revenue over the 4 years compared to last year's business plan as we see a scaling back of Cornwall Council budgets over the next 4 years. The business will be centred around delivering great services through its core term maintenance contract and environmental services. The business will focus on replacing this lost revenue through increased external organic growth, acquisition and strategic collaborations with other public sector organisations.

| | |
|------------------|---------------|
| 2026/27 | |
| Revenue | £116m |
| 2022/23 | £111m |
| 2026/27 | |
| Operating Profit | £4.96m |
| 2022/23 | £4.2m |

Facilities

Corserv Facilities was created to bring together Private Rented Acquisitions, Cornwall Housing Repairs and Maintenance and Cormac Property, Cleaning and Premises coordination. Corserv Facilities is a specialist facilities management company whose aim is to provide high quality services to residents and clients of Cornwall whilst focussing on external growth.

| | |
|------------------|--------------|
| 2026/27 | |
| Revenue | £63m |
| 2022/23 | £34m |
| 2026/27 | |
| Operating Profit | £2.5m |
| 2022/23 | £-0.4m |

Fleet

Across the four years of the Business Plan, Fleet will be making a £18m investment in renewing our vehicles. Supported by this investment, our Fleet strategy will focus on three main areas: transitioning to alternative fuels to increase the amount ultra-low emission vehicles (ULEV) by 2030, commercial growth, and improving efficiency in our workshops.

| | |
|------------------|--------------|
| 2026/27 | |
| Revenue | £19m |
| 2022/23 | £16m |
| 2026/27 | |
| Operating Profit | £1.8m |
| 2022/23 | £1.3m |

Care

Corserv Care, brings together STEPS, Corcare, Trefula House, Lifeline and Assisted Living Services and will be launching an area within the business to focus on private income to innovatively support people in their own home through the provision of care and support. The company is focussed on developing support to the Council in order to step in and support providers to stabilise services and ensure vital social care capacity across Cornwall is maintained to meet increasing demands.

| | |
|---------|-------------|
| 2026/27 | |
| Revenue | £13m |
| 2022/23 | £10.5m |

| | |
|------------------|--------------|
| 2026/27 | |
| Operating Profit | £1.1m |
| 2022/23 | £0.2m |

The Airport

We are continuing to facilitate recovery from the pandemic with passenger numbers recovering to pre-covid levels and beyond within the business plan period. Our focus is now on facilitating the increase in passenger numbers with a significantly different shaped flying schedule. We are also integrating and developing the Spaceport business model now we have attained the UK's first Spaceport licence.

| | |
|---------|-------------|
| 2026/27 | |
| Revenue | £14m |
| 2022/23 | £13m |

| | |
|----------------|---------------|
| 2026/27 | |
| Operating Loss | £-3.8m |
| 2022/23 | £-3.5m |

Foreword by Corserv Chair



Peter Andrew MBE
Chair

"This business plan looks at how we can manage our businesses to maximise commercial opportunities thus bring return back to Cornwall"

When looking forward to the next four years, it is natural to reflect on recent achievements and consider where the Group is currently as a foundation from which to build on. As we know, our primary focus must be to be a more commercial business and meet the financial challenges that come from our shareholder Cornwall Council.

In creating the Corserv Facilities and Corserv Care companies within the Corserv Group, our aim was to bring together services that were spread across our various businesses, creating better, more fit for purpose management structures and governance, saving time and money and delivering excellent services. It was also a clear direction for more external growth opportunities for both companies, with the chance to secure contracts outside Cornwall Council and work with commercial clients.

Since their launch, both companies have already demonstrated commercial growth. Corserv Care has taken on more services, including the Technology Enabled Care offering which has great business opportunities and Corserv Facilities has secured contracts with external clients, proving competitive in the industry.

In addition to this, Cormac has continued to prove itself in a highly competitive market, working with clients such as Suez, South West Water and the Environment Agency. Their new Commercial Strategy outlines opportunities for more growth for the business, especially out of county.

For this reason, the proposed direction for the Corserv Group to restructure into one company, focussing on these commercially driven businesses, is the best way to secure the future of our employees, our services and ultimately deliver our mission of improving the lives of people in Cornwall.

This business plan looks at how we can manage our businesses to maximise commercial opportunities thus bring return back to Cornwall.

Peter Andrew MBE
Chairman



Trefula House
Open Day



Move on Temporary
Accommodation

Statement by Group Managing Director



Cath Robinson
Managing Director

“we have focussed our Business Plan on creating strong external growth for all of our commercial businesses; Corserv Facilities, Corserv Care and Cormac. This will mean that we can protect jobs and our supply chain within Cornwall and continue to provide a return to our Shareholder and ultimately to the people of Cornwall.”

In 2021 the Corserv Board and Shareholder agreed a strategy for the Group “to become a more commercial organisation, providing good value for money services and return for Cornwall Council”. Our new business plan looks to enhance and expand our plans for external growth, stretching our previous approach.

The need for us to become more commercial and focused on income from other partners has become more important and is critical at this time. Local Government funding is challenged and like many authorities Cornwall Council, our Shareholder, is having to find cuts and savings and also to reduce its capital programme plans. This means there will be less work for the Group than in previous years.

If we did nothing, the income we return to Cornwall to fund essential services in the form of dividend and rebate would reduce, affecting the residents of Cornwall. And within the Group we would have to cut jobs, give less work to our local sub-contractors and spend less with local suppliers. In turn this would have a negative effect on Cornwall’s economy.

Therefore, we have focussed our Business Plan on creating strong external growth for all of our commercial businesses; Corserv Facilities, Corserv Care and Cormac. This will mean that we can protect jobs and our supply chain within Cornwall and continue to provide a return to our Shareholder and ultimately to the people of Cornwall.

As part of this drive to become more commercially focussed, the Board has considered the composition and structure of the Group. Previously Cornwall Housing had a strategy of developing a commercial arm as well as delivering a housing management function for Cornwall Council’s Social Housing. However, during the last year Altair, an expert housing consultancy, has completed a joint review for Corserv, CHL and Cornwall Council and

recommended that its focus is narrowed to the housing management function alone so that it can concentrate on the many issues across the estate which need improving for tenants. Therefore, CHL will no longer have any commercial contracts. Alongside this consideration it has become clear, as part of the Regulator intervention, that the Governance arrangements are complex, and Cornwall Council cannot in reality delegate many accountabilities or budgetary control to Corserv. Therefore, the Council, Corserv and Cornwall Housing Board have agreed that it would make sense for CHL to remain a limited company but to report directly to Cornwall Council and leave the Group during 2023.

Cornwall Airport Newquay is growing from strength to strength in terms of new routes in and out of Cornwall and seeing increasing passenger numbers as a result. However, to really drive the greatest benefit to Cornwall serious investment needs to occur in the property estate to attract new businesses and jobs onto the Airport Estate. Corserv, Cornwall Council and the Airport are currently investigating how this can be achieved which may involve a private investor and a potential new company structure for the Airport outside of the Corserv Group.

Our external environment often affects strategy development and the way we work. Brexit, covid and inflation have been major factors in recent years and continue to be ongoing pressures. This year the Procurement Bill has fed into our strategic thinking.

The Procurement Bill is currently going through Parliament and replaces EU law post Brexit. It examines Teckel Status and procurement law for local authorities and public bodies. As currently drafted there is a real risk that if we remained structured as a Group of Companies, Cornwall Council would not be able to direct award contracts to Cormac, Corserv Care or Corserv Facilities as the new bill requires a direct relationship with the company rather than through a third party. It would also prohibit the buying of support services from Corserv from its subsidiary companies.

Taking all of these factors together, the Corserv Board have decided to move towards a one company approach. What this means in practice is that we will have two legal entities, a teckel company and section 95 for trading purposes, run with one board and executive team.

As part of these arrangements, we will be transferring all employees into the Cormac Company which will be renamed Corserv Solutions. For the vast majority of people this will be on current terms and conditions and not affect how they are managed or complete their roles. For some support teams they may need to be restructured differently to reflect the needs of the new commercial approach.

We will still retain the strong brands of Cormac, Corserv Facilities and Corserv Care but these will be divisions of the Company rather than legal entities as they are at present and this will protect us from the risks posed by the procurement bill.

New Governance Arrangements

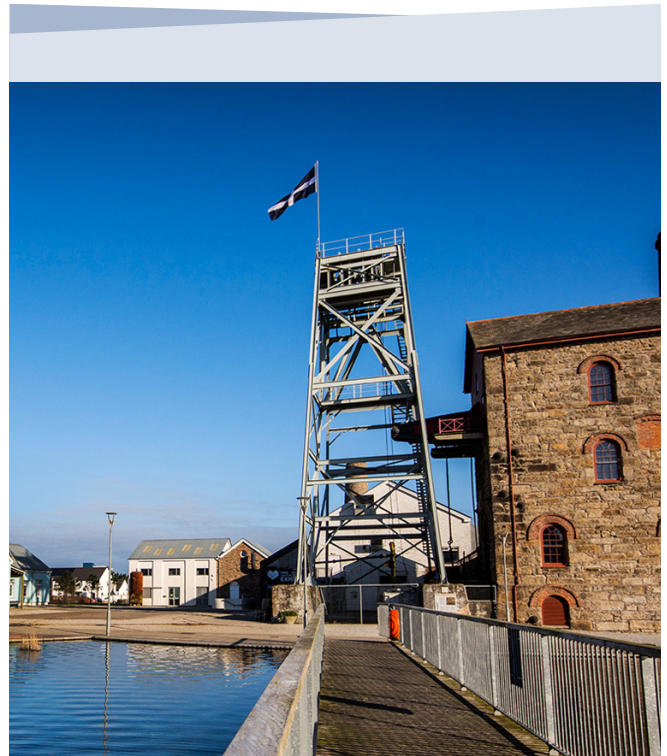
As part of our commercial approach, there will be one Board in future with expert commercial knowledge across Construction, Care and Facilities Management alongside Finance and Risk expertise. Below the Board there will be an Operational Committee chaired by the Managing Director who will hold the divisional directors to account for their operational and financial performance with clear KPI and financial targets. This Committee will report exceptions to Board and Divisional Directors who will be expected to put in place action plans to ensure delivery.

In order to ensure resources can be targeted to the delivery of our business plan, our support services will be integrated into the businesses with devolved HR, finance and SHEQ teams, who will sit alongside operational teams to deliver on their priorities.

There will be a small corporate centre dealing with legal advice, transactional services, strategic comms and corporate finance issues.

Although much of our four-year Business Plan will focus on the new restructured company, and the activities of Cormac, Corserv Facilities and Corserv Care, we have included a section on Cornwall Airport Newquay so the business can demonstrate their plans and direction as an individual organisation.

Cath Robinson
Managing Director



Our contribution to Cornwall

As well as the dividend return to Cornwall Council, the Corsev Group brings significant benefits to Cornwall.

Across our diverse services we add social value and stimulate the local economy by supporting the local Cornish supply chain, using sustainable practices and being respectful to our environment.

Here are some more ways we contribute to the wellbeing of future generations:

Strong communities need strong connections. Cornwall Airport Newquay supports £62.7m of GDP to the Cornish economy every year - far outweighing the loss levels.

£62.7m

Gross Value Added for Cornwall



Our Environmental Management System which is independently certified to the international standard ISO 14001 is performing **60% better than industry benchmark.**

60%



Cormac's Making Space for Nature (MS4N) project has received recognition at a national level by winning the Landscape Institute (LI) 'Excellence in Biodiversity, Conservation and Enhancement' 2022 Award.



We actively work to develop a local supply chain and support the local economy.

72.24%

of our supply chain is in Cornwall



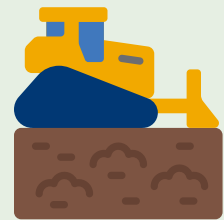
Keeping our residents and our employees safe and well is our top priority. We give regular health and safety talks to frontline teams and provide safe working procedures and up-to-date risk assessments available to our workforce and our partners.



We estimate that our **overall amount of waste has reduced by 27.5%** (19,177 tonnes) in the last three years since our pre-pandemic 2019/20 baseline.



We also believe the Corsev Group is now a "**zero waste to landfill**" organisation* with around 90% of our waste being reused or recycled and 10% being either incinerated for energy recovery or used to remediate contaminated land.



We are leading a talented future. As one of the largest employers in the region we create career opportunities and personal development.

2,155



Employees



78 apprentices, graduates and trainees

Building a better future.

We work together with local volunteer groups and individuals by providing equipment, offering advice for projects and giving talks at local schools. This builds capacity for healthier, safer and more resilient communities.



Our gritters cover

883 miles

of the precautionary road network.



(*Excludes external asbestos removal services)

Who we are

The Corserv Group is a diverse group of businesses, owned by Cornwall Council and established to improve the lives of people in Cornwall by generating growth and opportunity.

We deliver high-quality services across all our businesses that provide infrastructure, engineering, housing, social care, facilities management, inward investment, transport and other essential services to Cornwall and beyond.

Our companies currently are Cormac Solutions, Cormac Contracting, Corserv Facilities, Corserv Care, Cornwall Airport Newquay and Cornwall Housing.

These are all brought together with shared Business Support Functions and governance provided by Corserv Limited the parent company.

Over the next year the expectation is that Cornwall Housing and Cornwall Airport Newquay will leave the Group.



What we do

Corserv as a company has two distinct areas - support services to the Group and its own operational business.

The support services that are managed by the central Corserv executive team include: HR, finance, procurement, IT business systems, marketing and communications, customer services, health, safety, environment and quality (HSEQ), company secretarial and legal.

Our operational businesses include Jobline recruitment agency, TalentTide, the Customer Contact Centre and the Notter Bridge training centre.

Across the Group our range of services currently include:

- Highways maintenance and management
- Environmental maintenance
- Highways, transport and environment infrastructure projects
- Social housing and private lettings
- Adult social care
- Property maintenance and cleaning services
- Transport
- Business training
- Recruitment



How we do it

Corserv was created to bring together various Cornwall Council owned trading businesses to deliver efficiency, reduce costs and improve quality of service. In addition, Corserv provides income and savings to Cornwall Council, generating greater economic benefit to Cornwall.

By combining knowledge and experience across our Group we can ensure that strategy and corporate governance are aligned to shareholder strategies, as well as allowing us to be more commercially focussed.

Our leadership team is supported by shared support services which enables us to achieve significant economies of scale, reduces costs and standardises our policies and practices across the Group.



Working together

We collaborate and innovate to give back to our communities and provide a return to Cornwall Council for essential public services.



Our Mission

Working together to improve the lives of people in Cornwall

Each and every one of our teams help to improve the lives of Cornish residents and visitors, whether that's by providing care, helping make our roads safer, ensuring people have a roof over their heads or creating jobs in the county.

Examples of how our businesses support our mission:

- Cormac improves our highways and the environment so that we can travel safely and enjoy our local area. It also unlocks economic growth by designing and building infrastructure projects
- Cornwall Airport helps local residents fly to global destinations and brings visitors from far and wide to enjoy our county
- Corserv Care Services provides care for people who need extra help living at home, and gives our residents continued independence



Our Vision

Improving Cornish lives shapes our work ethic and our working practices. It is the reason that we exist and how we ultimately measure our success.

Everything we do helps shape Cornwall and its economic growth. We aim to extend our reach by working on projects, or delivering services in Devon, Dorset, Somerset and beyond.

Our vision for the future:

- Cormac to become the provider of choice for managing and maintaining our highways, environment and transport needs
- Cornwall Airport to become the first-choice regional airport in the South West for airlines and passengers
- Jobline to be the recruitment agency of choice in its chosen industry sectors and location
- Corserv Facilities to become total facilities manager of choice in the region
- Corserv Care services to grow and develop new services and invest in reablement, domiciliary care and residential care



Our Values

Our values shape everything that we do across our Group. From construction to care services, from travel to transport and everything else in between.

Our values guide the way we work with our business partners, within our communities and with each other.

Collaborative -
working and supporting each other to serve our communities

Innovative -
always looking to improve and modernise

Trusted -
we are open and honest and do what we say we'll do

Positive -
we are optimistic and believe in doing the right thing



Our Strategic Priorities

Our strategic priorities reflect our values and centre around people, service excellence, collaboration, innovation and sustainability. These are developed to describe our contribution to the Shareholder's strategic objective to work with communities for a carbon neutral Cornwall, where everyone can start well, live well and age well and the associated priority outcomes and are:



People

attracting and retaining the best talent and looking after our employees

Respect and investment in our people

- Our people strategy encourages a culture of collaboration and sharing, removing any blame culture
- Our employee engagement and development initiatives such as the Group employee survey ensure sufficient investment is made in our people
- We continuously improve communications across the Group. Developing collaborative ways to work together and building a culture which allows everyone's voice to be heard
- Our employee development includes an increased apprenticeship programme, leadership development, succession planning and improved employee relations
- Our wellbeing initiatives include the three strands of health, mental and financial
- Our apprenticeship strategy helps local young people learn skills and gives them the opportunity for a career in Cornwall, rather than out of the county



Collaboration and innovation

doing even better by working together

Collaboration and innovation to improve our business models

- We work together across all business areas and collaborate to continuously improve. We adopt and share best practice from across the Group
- Our HR team not only provide strategic direction but also improve services so that we can become a modern, forward-thinking employer with a skilled and motivated workforce that can deliver for today and is ready for the future
- We are building a high-quality provision that is commercially successful, this actively contributes to the development of talent across Cornwall and helps deliver the capacity and capability to succeed
- We have a combined marketing and communications strategy that has been implemented and continues to be further developed to effectively reach different stakeholder groups



Service excellence

building centres of excellence and competing in an open market with good value for money

Driving excellence in service delivery

- The drive to service excellence while ensuring that health and safety remains a key priority for the Group
- We provide strategic leadership, delivering consistent policies across the Group
- We focus on making high volume transactions more cost and time effective and to the highest quality standards
- We continue to invest in technology. Examples include the implementation and development of a Group HR system, a coordinated Group finance system, the development of web-based company portals, an intranet, supporting mobile workers and the implementation of other collaborative business tools
- We raise standards in welfare facilities - investing in offices and depots
- We collaborate and innovate to improve our business models



Climate change and sustainability

meeting the needs of the present without compromising our future

Ensuring a positive contribution to climate change and sustainability

- We value, protect and enhance our surroundings in order to build a stronger foundation to grow our local economy and make our local area a better place to live and work
- We focus on environmental issues, such as wildlife and landscapes, travel and transport and water management; social issues, such as health and happiness and quality of life; and economic issues, such as local economic development and employment
- Our 'Zero Harm' vision recognises that the target of having no adverse environmental impact will be difficult to achieve, but we are clear in our aim to continually improve and actively lead for an overall positive environmental outcome for our local area

People strategy

The Corserv Group is a people centric organisation, with over 2,200 employees, of which, more than 60% provide front line services to the residents of Cornwall. The Group can provide real career progression, not only within business, but also across businesses and we will build on this through the lifespan of this plan.

This positive engagement with our employees remains a key driver for our success.

Employee Engagement results improved by 8% in 2021 and stabilised within 2022. We continue to look for opportunities to improve this through cross-organisational initiatives and through the employee engagement surveys.

This increase in engagement has been further supported through our programme of both mental and physical health and wellness support provided and the popular flexible working practices that have been introduced and continue developing within the organisations. Through the next four years we will cement and build on these foundations as it is clear that the way employees want to work has changed and they will continue to demand more autonomy and flexibility going forward.

The training and development of employees will continue to be a fundamental building block to maintain and improve the skills and capabilities of our teams. The new CorHCM HR system has significantly assisted in the capture and reporting of training compliance and certification, providing line managers with real-time operational information.

Through the lifetime of the Business Plan we anticipate to further evolve our career management capabilities, equipping our line managers with the tools to develop career paths and opportunities for their staff.

Whilst this foundation is in place, we are currently developing our own leadership program which will developed in line with the Institute Leadership and Management (ILM) requirements delivering a recognized in depth leadership learning and development tool which will further enhance the current practices.

It is evident that a lot of opportunities exist to cleanse and provide further data and management information to our line managers and this will be an important deliverable in the years to come to maintain the momentum. To this end we have created a portfolio of business intelligence data which is currently being rolled out with the revised policies.

Graduate and apprentice entry programmes will also be reviewed and refreshed to attract and build our own talent and we envisage Group wide career opportunities to

Health and Safety remains of paramount importance and it is encouraging to see that all metrics have improved in the last year. Indeed securing the new BSi 45001 accreditation at our first attempt, demonstrates the progress that has been made within the Group. This also provides further evidence that the Cornerstone behavioural change programme is having a positive impact, with line managers understanding the personal impact that they can have to improve their work environments.

We continue to work closely with the residents of Cornwall and our Social Value will remain an important pillar of the work that we do. Many of our employees readily support and will continue to be able to support community led endeavours to improve the living space for all. During the plan we will look to align our metrics of measuring Social Value to align to the national Themes, Outcomes and Measures model.



Local suppliers and social value

At present 72.24% of our £130m of discretionary expenditure is with Cornish based suppliers. We will aim to increase this over the four-year Business Plan to 80%.

We are also including mandatory Social Value commitments from our supply chain partners throughout our procurement tendering process to enhance the social value delivered to the County.

The Corserv Group Procurement team will continue to provide strategic oversight of the Group procurement activity to ensure we are procuring in compliance with procurement regulations. At the same time, we will consider the whole life cost and value added, to be certain we are spending money wisely.

This is important as we are responsible for spending c. £130m (excluding statutory payments) of public money, and also because it is the most commercially sensible way to procure.

Alongside the day-to-day procurement activity, we will put specific emphasis on the following areas throughout the life of this Business Plan:

Supporting the Local Supply Chain

Our main aim is to continue to increase the volume of local Cornish based suppliers and subcontractors that are used for the goods, services and works that the Group purchases.

Our target is to increase our expenditure with the local supply chain over the next four years:

| Current | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
|---------|---------|---------|---------|---------|
| 72.24% | 73% | 75% | 77% | 80% |

For the foreseeable future, we will not be able to achieve 100% spend in Cornwall as there will always be an element of out-of-county expenditure for specialist services and products that we procure. Not everything that our diverse Group requires is physically available from Cornwall, for example;

- Salt for gritting the roads (£0.25m) which we import from Ireland due to the location of the raw material
- Specialist subcontract works where the trade is not offered by the local supply chain, such as spray injection patching, on which we spend over £1m per year

Another restrictive factor for the Corserv Group to only use local supply chain is the instruction from the stakeholders whose contracts we are delivering and

therefore have input into the selection of the products that we are then instructed to source to fulfil the project. This equates to approximately 1.7% of our expenditure annually, whereby the decision has already been made. We are looking at ways to gain earlier involvement to steer these stakeholders to place local supply sources at the forefront of their selection process.

Increasing the percentage of Cornwall Based Suppliers

We will increase local market stimulation to ensure that all potential suppliers are aware of our procurement opportunities, using wider communication channels such as social media, local media and the Chamber of Commerce to target local SMEs who might otherwise not be aware of the opportunities available to work with us.

We will continue to break down our larger categories of spend to ensure that smaller local companies are capable of participating, rather than procuring large frameworks which would inhibit SMEs from being able to fulfil. Evidence of where this works well is through our two current subcontract Dynamic Purchasing Systems (DPS), where we have over 200 suppliers appointed, 70% of whom are Cornish-based SMEs. Unlike a traditional framework agreement, the DPS is constantly open to new suppliers and all applicants will be appointed, providing they meet the minimum selection criteria and pass the health and safety assessment. This means there is no limit to the volume of local suppliers that can be appointed. All supplier appointed to the DPS receive a direct notification of each subcontract enquiry requirement we have for the type of works they can provide and can choose to submit a quotation.

We will continue to offer guidance and hands on support to any supplier wishing to work with us.

Bringing Social Value to Cornwall

Our expenditure currently brings social value to Cornwall through local supplier procurement, enforcing our supply chain to pay their staff a minimum rate aligned to the Foundation Living Wage and other social value added benefits.

The Group has recently designed and implemented a formal mechanism for capturing and quantifying our social value contribution. Through working with the Social Value Portal and utilising the industry leading TOMS method of measurement and reporting.

TOMS will not only provide a mechanism for capturing the social value that our supply chain expenditure brings to the Cornish economy but also the wider social value impact of the operation of the Group.

We continue to be a Foundation Living Wage employer and accreditation to the Foundation Living Wage means that our supply chain must also pay the living wage rate to its employees who are actively performing operational works for us.

Social value is a key element of our formal tendering process. The social value assessment criteria is 15% of the technical and quality element of tendering assessment criteria and will always be a minimum of 10% for contracts above the PCR thresholds. This aligns with the Cornwall Council Social Value and Responsible Procurement Policy.

The Corserv procurement team are members of the Council's Responsible Procurement Steering Group.

The Group procurement director is currently putting together a proposal to amend the current Group's procurement procedure rules to enable direct award (without the requirement for competition) of higher value orders to a Cornwall based supply chain.

Finance and Procurement System

The newly implemented Workday Finance system allows us to fully consolidate procurement across the Group and bring process efficiencies. At the same time, it will give robust and easy to access reporting to improve the expenditure analysis across the Group.

The new system will identify areas of any non-compliant procurement spend and provide insight into goods, services or works which would benefit from a formal agreement being put into place.



Our Sustainable Future

The Corserv Group contributes significantly to local environments, communities and economies through its diverse projects and services. We therefore have a responsibility and opportunity to achieve highly positive outcomes for people, places and nature.



Group Sustainability Strategy

Our new strategic plan outlines our vision, values and approach across the three recognised pillars of sustainability (environment, society and economy). It aligns closely at a local level with Cornwall Council's strategic objectives and at a global level with the United Nation's 'Sustainable Development Goals' for a better world by 2030. We will be baselining and reporting our sustainability performance in the form of 'Social Value' (£), using indicators outlined within the National TOMs Framework.



What is Social Value?

Organisations that make a conscious effort to ensure their activities have a positive impact are 'adding value' by contributing to the long-term wellbeing and resilience of individuals, communities and society in general.

When planning our business activities, we have been asking ourselves:

For every pound we spend, how can we ensure it benefits the wider environment, community and economy?



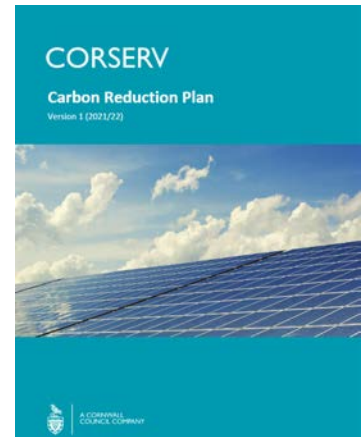
Carbon Reduction

Following Cornwall Council's 'Climate Emergency' declaration, the Corserv Group has been closely working with the 'Carbon Neutral Cornwall' team to identify, investigate and pursue key opportunities for significant energy efficiency and emission reduction.

We recognise that we have a leading role to play and that by facilitating positive organisational changes we can achieve 'carbon neutrality' by 2030. This will give us our best chance of keeping global warming below the critical +1.5°C 'tipping point' threshold for ecosystems, human health and wellbeing.

Our published 'Carbon Reduction Plan' outlines our footprint, targets, progress and initiatives.

In order to significantly reduce carbon across our business, we are aligning our approach with the 'Greenhouse Gas Management Hierarchy' developed by IEMA (Institute of Environmental Management and Assessment).



While the Covid-19 pandemic has helped provide a head start to our carbon reduction journey by significantly reducing office and business travel emissions, we have only recorded a small rebound increase during the last financial year (2021/22). This means that we have successfully held onto the significant reduction through our new hybrid working approach.



Current reduction progress: -8.5%

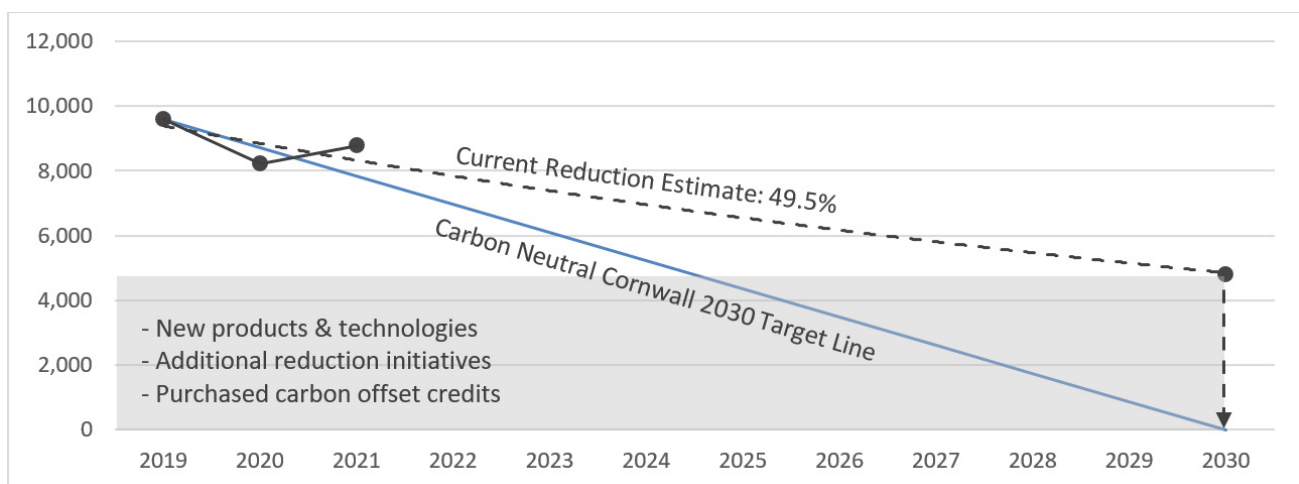
Reduction in our scope 1 and 2 emissions - 2019/20 to 2021/22

Current reduction forecast by 2030: -49.5%

Reduction estimated from scope 1 and 2 baseline (2019/20)

Current Reduction Forecast

Using our forecasted emission reductions, we can attempt to project our future carbon reduction trajectory for our key scope 1 and 2 emissions...



While our current actions and initiatives will provide a significant reduction, we plan to do more...

Additional carbon reduction initiatives and new technologies will allow us to aim for an even greater reduction of at least 70%, with the remaining 30% to be offset through various certified carbon removal projects such as tree planting.

Cormac Highways, Environment and Civil Engineering

Profit is returned to the Council to fund vital public services.

Provides Value for Money services to Cornwall in a partnership environment.

Generates significant Social Value, and contributes to Cornwall Council's mission and priority outcomes.

Is a truly regional business across the South West with a growing client base.

Is a key flexible resource within Cornwall that can react quickly in emergency situations.

Executive Summary

Cormac Highways, Environment and Civil Engineering (H,E&CE) has continued to build on the foundations its "Fit for the Future" programme, which commenced in 2021/22 put in place to support the delivery of its principal business objectives shown below.

This includes significant progress and opportunities from a completely restructured business with three distinct business streams and leadership roles that align with our objectives:

- 1. Term Services (asset management, maintenance and work programmes):** through a rigorous Value for Money process this part of our business has secured Cornwall Council's Highway and Environment Term Service Contracts for a minimum of 7 years. It is focussed on creating value for our communities, and has continued the trend of increased resident satisfaction in highway and environmental maintenance activities.
- 2. Infrastructure (consultancy and contracting projects):** our new integrated design and build team is focused on planning, designing and building infrastructure for Cornwall's Growth, and outcomes of homes, jobs and sustainable communities. Most notably it will deliver the highway infrastructure for Langarth Garden Village over the coming years, after several years of pre-construction activity.
- 3. Regional Business (external commercial focus):** our external business has continued to develop and diversify during 2022/23,

redacted 1

CORMAC

redacted 2



The principal objectives of our Business Plan and Commercial Strategy are consistent with our existing strategy and our mission of “working together to improve the lives of people in Cornwall”:

1. To create value for Cornwall’s communities through our term service contracts; managing, improving and maintaining highway and environmental assets
2. To successfully deliver a programme of £60m infrastructure for Cornwall’s growth
3. To grow our regional external business to an enhanced

redacted 3

Business Plan and Commercial Strategy

We have created a commercial strategy to overlay our base business plan, this relies on investment in the business and will provide enhanced growth in years 3 and 4

- **Phase 1 (Y1-2):** undertake investment, intensive business development, consolidate external business, external growth as per our previous business plan, including a strategic acquisition in year 2
 - Our external growth is structured around four Business Development themes
- **Phase 2 (Y3-4):** increased growth through delivery of a commercial strategy, significantly enhanced growth on previous plan –

redacted 4

- The Commercial Strategy primarily comprises of growth through

redacted 5

Our plan supports our business imperatives of Safe and Sustainable, Profitable, Satisfied Customers, and Investing in our People.

redacted 6

redacted 7

We will continue to diversify our business in two ways, a journey which we commenced last year:

1. Supporting a change in direction of the Council’s Capital Programme and spend, we are positioning ourselves to contribute to community-based initiatives such as walking and cycling, living streets, safe streets, regenerated town centres, connected places where people need to travel less. Along with facilitating volunteering, rejuvenation of neighbourhoods, making space for nature and helping to tackle climate change.
2. Diversification of our client base from

redacted 8

We aim to do this through the delivery of our commercial strategy. This will enable us to still provide a significant return to Cornwall Council to fund vital public services even when their commissioned work to Cormac reduces.

To deliver our plan we will:

- Produce business development and growth plans which will deliver our commercial strategy and grow our revenues by
- Invest in our people, by engaging with them, developing them, focussing on collaboration and a values aligned, Safety First culture, contributing to an organisational culture which supports the delivery of our business imperatives

redacted 9

redacted 9a

- Changing the way we work, and becoming a modern business developing our processes, working environments, IT (creating a connected workforce), and brand, to contribute to the delivery of our objectives
- Deliver efficiency savings of £0.75m in 2023/24 through utilisation and productivity enhancements

redacted 10

Our external business growth

Our plan is based on four themes, which continues to develop our diversification from a predominantly highways and transportation business into a broader civil engineering and infrastructure offering

redacted 11

which we feel will withstand the current market environment:

redacted 12

redacted 10

redacted 13

redacted 14

Financial detail

Key Assumptions and Risk Mitigations

- Investment criteria and financing solutions would be developed and that our Shareholder

redacted 15

- That our shareholder would support

redacted 16

The

Procurement Bill drafting remains a risk.

- There is no initial stretch to organic growth in short term – year 1 and year 2 are broadly equivalent to our previous business plan, this takes into account the challenging current environment
- Profit exceeds average of Top100 Construction companies (3.32% in PY)
- That revenue growth will require incremental increase to Cormac Business Overhead. Assumed no increase to Group Overhead
- A new fleet model by year 2 would create further value and support growth
- Further investment in business process and systems will be made

- We must ensure capacity and culture to deliver:
 - Cormac ELT undertake strategic role focusing on “business of tomorrow”, with no distractions, 3rd Tier manage “business of today”
 - Additional bidding and work winning resources are included in our plan

redacted 17

- That any Group and Shared Service change projects do not distract from focus of developing and delivering this business plan
- Delivery of our People Strategy inc. sharpening our commercial and client focus



| Risk | Description | Mitigation |
|---|--|---|
| Plan does not deliver additional growth | Focus on managing the impacts of recession | Continue to grow and develop sustainable business through our 4 themes which have resilience. Investment in capacity |
| Managing growth | redacted 18 | Do not seek further growth to Y1, ensure we deliver safely, to budget, time and quality |
| Economic conditions | Risk to further growth (beyond current Business Plan) | Focus on “safe clients” with a pipeline, e.g. redacted 19 via the 4 themes |
| CC Budget process and timing of business plan | Base on best information available | Clients are aware and supportive of assumptions |
| Cultural development | Cultural development on client and commercial focus, investment and development of our people | Revised devolved HR structure, will enable Cormac to drive cultural development through leadership, engagement and development |
| Inflation | Adverse impact to profit | Assumption that revenue inflation offsets cost inflation |
| Reduction in core business | Capital spend in highways and transportation | Developing more diverse civil engineering offerings to a more diverse client base within the 4 themes |
| CC Procurement Strategy/new Capital Operating Model | Greater risk to IDA | Propose extraordinary ICB in accordance with CPR. |
| Group and Shared Services Organisational change | Changes to both group businesses and shared services, impacts focus on the development of our business | Consider this risk in change plan, prioritise value adding change, ensure business continuity, learn lessons from Workday change project/address audit management actions |
| Procurement Bill Drafting | Potential changes to Teckal exemption – unquantified and unmitigated | Group and shared service changes mitigate some potential impacts |

Overview

Strategic Priorities

Corserv Group plans

Financial Highlights

Decision making

Governance

Principal Activities

Cormac H,E&CE manages and maintains approximately 7,500 km of Cornwall's highways as well as providing environmental asset management and maintenance, along with design and construction services to public and private sector clients.

We deliver integrated maintenance services with local focus to build community relationships and to plan, design and build key public infrastructure to enable economic growth and development.

Our services include:

- Integrated management and maintenance solutions for highway and environmental assets
- Technical consultancy specialising in transport planning, geotechnical services and infrastructure design
- Integrated turn-key infrastructure solutions for environmental assets, highways, transportation, development infrastructure and public/utilities infrastructure
- Offering technical specifications and material production of surface treatments

redacted 20

What are we doing to deliver our business plan?

We previously established two areas of focus to deliver our principal objectives:

1. Investing in our people, by engaging with them, developing them, focusing on collaboration and a values aligned, Safety First culture
2. Improving our efficiency and productivity, by becoming a modern business developing our processes, our working environments, our IT (creating a connected workforce), and our brand

The above focus areas break down into the following themes:

- Efficiency programme: we have established an efficiency programme worth £0.75m which will be delivered in 2023/24. It contains three aspects (1) improved plant and fleet utilisation, (2) reduced operational down time due to transitional business processes, (3) an enhanced training programme with reduced downtime, and (4) improved attendance management and reduced attrition

redacted 21

- Investing in our people: in conjunction with Corsev's HR team we are developing solutions for Workforce Development, Education offer/ Apprenticeships, Line Manager Competency, Talent and Performance Management, Succession Planning and Employee Engagement. We will build on the 6.9% of (FTE) employees in our business who are apprentices, graduates or on recognised training programmes and our restructuring has and will provide development opportunities for employees. In addition we will deliver our "Connected Workforce" initiative which seeks to address the issue of 50% of our employees not currently having company provided IT, meaning our current electronic form of communication and working practices cannot be maximised.
- Cultural Change: our imperatives of Safe and Sustainable, Customer Satisfaction, Investment in our People and Profitable define what we want to achieve and are focused on and our values of Collaborative, Positive, Innovative and Trusted. Leadership, employee engagement, line manager development and performance management, that addresses behaviours as well as business targets, will support change.
- Capital Investment: we have contributed to a Group capital investment programme, with critical aspects being investment in our remaining depots, from a back-log maintenance, welfare and health and safety perspective and investment in our fleet, to work towards our carbon reduction goals, as well as ensuring we have an optimum fleet age considering cost of investment, cost of maintenance and safety.



Corserv Facilities

Executive Summary

The creation of Corserv Facilities as a trading entity brought together the Cormac Facilities Management and Fleet business divisions, the repairs and maintenance teams from Cornwall Housing and the existing Private Rented Acquisitions (PRA) team into a new specialist facilities management company. A total of 600 roles from 5 different organisations to create a team providing the full range of hard and soft FM services.

We have updated our business plan for 2023-27 having increased our turnover ahead of plan in 22/23 by c £3m (11%). Profitability in our first year has been impacted by significant inflationary pressures across labour, materials and subcontract. Corserv Facilities remains committed to a Foundation Living Wage employer increasing pay for its lowest paid workers by 10.1% from April 23. In order to improve margins and tackle inflationary pressures, Corserv Facilities commercial strategy for 2023-27 will focus on 3 key areas:

1. New Commercial Arrangements
2. Business Growth
3. Cost reduction and efficiency

The commercial priorities align well with our purpose “to create a specialist facilities company of scale in order to provide high quality services to residents and clients, whilst focusing on external growth”.

Our business priorities remain:

1. **People** focussed
2. **Quality** services to our customers
3. **Efficiency** of service delivery
4. **Growth** in new customers and markets

Principal Activities

We provide a range of hard and soft facilities management and fleet services to Cornwall Council and a wide range of external customers. We also provide a repairs and maintenance service to Cornwall Housing for their c10,000 homes.

Our property maintenance service provides reactive maintenance, planned maintenance and statutory compliance across fabric, mechanical and electrical trades. We also deliver capital projects including commercial refurbishments, extensions and new builds.

CORSERV FACILITIES



Our facilities management service helps our customers ensure their buildings are compliant and well managed, offering a full soft facilities management services including cleaning, grounds maintenance, security, premises management, pest control and ecology services.

Our PRA project is focussed on acquiring, refurbishing and letting up to 200 homes across Cornwall. These homes will be used as 'move on' accommodation as an alternative to expensive emergency temporary accommodation such as hotels and B&B's, giving more stable accommodation to families in need.

Fleet Services consists of fleet management (Fleet) and vehicle maintenance (Workshops). We manage a fleet of over 1,000 vehicles and 1,200 items of plant providing an end-to-end service from acquisition through to disposal. Fleet also provide a fully managed pool car and vehicles leasing service for Corserv and Cornwall Council employees. The fleet team are also responsible for leading the fleet workstream of our Carbon Neutral 2030 strategy.

Workshops provide vehicle and plant maintenance services for our internal fleet and a wide range of external customers from three main locations across Cornwall. We also provide MOT's, fabrication and a body shop.

Recent Achievements

Over the past year our major achievements include:

- Elimination of repairs backlog, 100% compliance for services we deliver, reduced voids backlog and improved turnaround times in Year 1 of our Cornwall Housing repairs and maintenance contract whilst achieving 94% customer satisfaction
- Worked with our private sector partner to successfully mobilise Year 1 of FM delivery for Cornwall Council contract
- Taken delivery of our first 10 Gas powered 3.5T vehicles which will run on carbon neutral fugitive biomethane
- Implemented High Performance Culture and employee engagement strategy to ensure Corserv Facilities colleagues can perform to the best of their abilities
- Developed new training plans for every role supported by the launch of an e-induction for employees
- Continued the roll out of our electronic field service management tool Total Mobile bringing the mechanical teams into scope
- Launched new website and social media platforms for Corserv Facilities
- Implemented new online Corserv Facilities Quality Management System
- Continue growth of our Capital Projects team
- 168 PRA properties acquired with 107 into first let

Delivering our Business Plan

Corserv Facilities continues to deliver a number of benefits to our employees, customers and shareholder. These include:

- Improved quality of service and outcomes for our customers
- Significant revenue growth
- Improved margins and value for money
- A company of sufficient scale to allow for investment in new technology helping us improve productivity and customer experience
- Creation of a market comparable employment reward and apprenticeship programme to aid recruitment and retention and allow us to grow our workforce
- An opportunity to consolidate management and support functions, removing duplication and allowing for investment in other key skill areas
- Supply chain efficiencies

The key activities undertaken to achieve the outcomes in the plan are:

People

- Continued development of High Performance Culture including creation of an employee engagement forum with focus on improving employee engagement
- Increased investment in training to ensure delivery of all role-based training plans by March 25
- Further investment in employee pay and reward ensuring alignment with market rates
- Reduction in use of agency staff

Quality

- Continued development of Corserv Facilities quality management system
- Corserv Facilities attainment of ISO 9001, 14001 and 45001 in 23/24

Efficiency

- £750k per annum labour efficiencies delivered in Year 1
- £1.5m of operating efficiencies delivered over 4-year business plan
- Increased direct delivery of non-specialist services

Growth

- Secure new long-term contract for delivery of Repairs and Maintenance services for Cornwall Housing
- £20m turnover growth across 4-year business plan
- Future options for partnership and potential joint venture for some Facilities Management delivery
- Through the development of our renewable energy division, we will play a key role in supporting Cornwall Council achieve net carbon zero by 2030

CorseV Facilities

| | | 2023/24 | Mvt | 2024/25 | Mvt | 2025/26 | Mvt | 2026/27 |
|------------------------|------------|---------|-------|---------|-------|---------|-------|---------|
| Combined | T/O | 42,170 | 5,260 | 47,430 | 7,430 | 54,860 | 7,640 | 62,500 |
| | Profit | 440 | 770 | 1,210 | 710 | 1,920 | 580 | 2,500 |
| | Net Margin | 1.0% | | 2.6% | | 3.5% | | 4.0% |
| Facilities Operational | T/O | 39,300 | 5,180 | 44,480 | 7,340 | 51,820 | 7,550 | 59,370 |
| | Profit | 340 | 770 | 1,110 | 710 | 1,820 | 570 | 2,390 |
| | Net Margin | 0.9% | | 2.5% | | 3.5% | | 4.0% |
| PRA | T/O | 1,340 | 40 | 1,380 | 40 | 1,420 | 40 | 1,460 |
| | Profit | 100 | 0 | 100 | 0 | 100 | 10 | 110 |
| | Net Margin | 7.5% | | 7.3% | | 7.3% | | 7.3% |
| Depots | T/O | 1,520 | 50 | 1,570 | 50 | 1,620 | 50 | 1,670 |
| | Profit | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | Net Margin | 0 | | 0 | | 0 | | 0 |

Corserv Care

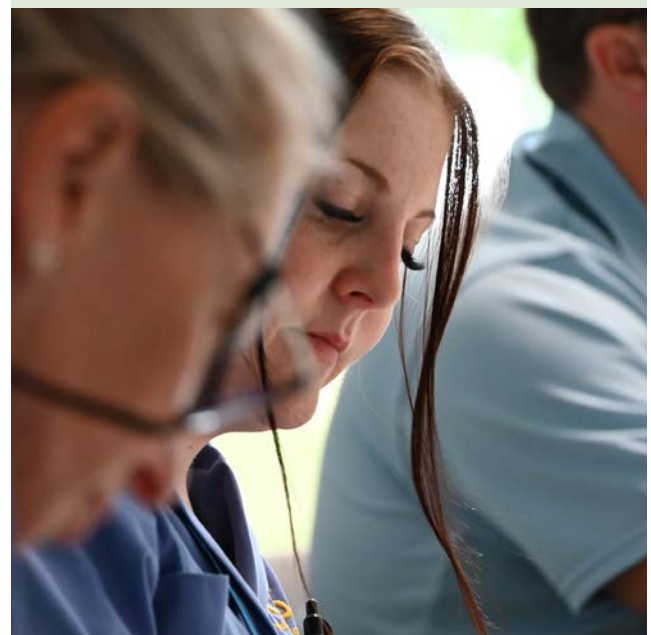
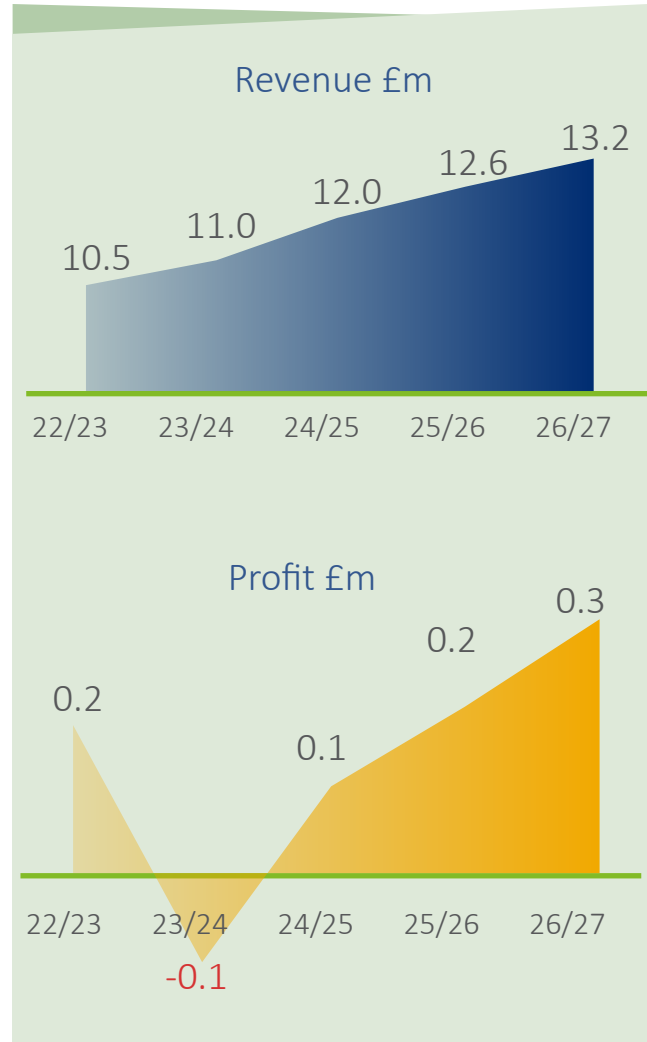
What value does Corserv Care create for Cornwall?

Corserv Care provides care and support to over 4000 people a year across Cornwall. Working with the voluntary and community sector we ensure our partnership approach enables people to continue to receive support to ensure their health and wellbeing is maintained and they do not become socially isolated following a period of short term care within STEPS and/or Corcare.

Corserv Care has proven to be a reliable, flexible and responsive partner to support the wider health and adult social care system and more recently support recovery as the system experiences increasing demand for services against significant market capacity pressures. The domiciliary care market in Cornwall is diverse and fragmented with increasing number of providers evidencing early signs of fragility. Corserv Care works in partnership with the Council and will provide strategic and operational leadership to ensure stability within these fragile services is restored. Or, where there is provider failure, the service and staff are transferred into the company to ensure ongoing delivery of care and support to individuals across Cornwall. This challenging but vital role provides essential resilience within the market to minimise the loss of workforce capacity and to avoid unnecessary admissions into care homes or hospital where packages of care are withdrawn. Corserv Care has also worked in partnership with Adult Social Care to secure ongoing capacity to deliver support to people across the community in response to providers wishing to exit the market. Corserv have recently transferred in over 70 staff providing c2000 hours a week of care across the west and the east of the county.

Our STEPS and Corcare service help to provide operational and front line capacity to ensure the continuity of care is delivered to over 150 vulnerable people who were at risk due to the existing provider ceasing to provide care services. STEPS minimise people's ongoing reliance on funded care and help to support flow from hospital reducing costs to Adult Social Care and Health services. The service has experienced significant challenges to delivering care to c 3000 people due to the lack of social care capacity which has directly impacted on flow of people out of the service once their reablement service has been completed. Trefula House supports complex dementia and nursing care beds which provides vital capacity to support people who can no longer be appropriately supported at home.

CORSERV CARE



Executive Summary

The new care company is focussed on:-

- Improving the quality, capacity and resilience of the care market in Cornwall
- Providing high quality services for Cornwall residents
- Responding innovatively to service developments with the introduction of technology and upskilling the workforce to ensure safe and appropriate care is provided
- Development of partnership working across the health and social care system to support increasing demand for services
- Providing value or money, support and flexibility for Cornwall Council
- The development of early help and prevention services through collaborative working with the voluntary sector across its community services and its Lifeline and Assistive Living Service
- Enabling the growth of a sustainable, productive, and profitable care company under the Corserv umbrella of companies. This will be through the development of a new registered care and support service within the community which is focused on private funded care and supporting the Council with Provider of Last Resort activity to stabilize and secure capacity within the wider care market.

The Care Services within the Corserv Group currently provide a number of services to Cornwall (2023/24 contract values with Cornwall Council):

| Service | Value p/a £M 20/21 | Period of contract | No of Staff FTE | Activity | Strategic Focus |
|-----------------|-----------------------|-------------------------|--------------------|---|---|
| STEPS | 5.734 | 4 years (to 23/24) | 157.52 | Contracted to deliver 3300 starts per year | Increase capacity and productivity Provide 7 day per week assessment and intake service Introduce therapy-led reablement to optimise outcomes Introduce technology enabled care to support independence and capacity Development of responder services in partnership with Lifeline and Voluntary Sector |
| Corcare | 1.764 | 4 years (to 23/24) | 39.4 | 1568 Contracted hours per week | Increase capacity and productivity Introduce technology enabled care to support independence and capacity Development of responder services in partnership with Lifeline and Voluntary Sector Development of Provider of Last Resort Capacity to respond to market pressures |
| Lifeline | 0.180 | 3.5 years (to 26/27) | 26 | Installation of equipment and call monitoring service | Service improvement Commercial growth Development of TEC enabled care solutions Contract funding shown is total for first 2 years of operation, to support transition from loss making service |
| Investment Fund | 0.355 | 4 years (to 23/24) | 9 | Management infrastructure for Care company | Continuous review of management capacity to support the development, delivery and growth of community services Deliver Business case to support the creation of a registered care and support service for people who are privately funded in line with business plan development Embed new FSM system and technology enabled care Continued development of Branding, Marketing, Website and Comms to support company development and recruitment |
| Total | 7.853 | | 231.1 | | |

The company continues to work in partnership with the Council to create capacity within the market to focus on early support, intervention and short-term enablement services in response to the strategic direction determined by the Council and agreed with Corserv. In light of this change in priority a further review of future service transfers is being undertaken.

This key decision will result in Corserv Care exiting the long term residential care market and therefore will see the transfer of Trefula House to an alternative private provider. The Council's commissioners are in the process of market testing; it is anticipated the service will transfer by the end of June 2023.

The Managing Director of Corserv Care has been working with the Council to support the Transformation Programme within Adult Social Care. This has included providing leadership and management of in-house services and supporting interim capacity to complete comprehensive business cases to identify how current in-house services will be delivered in the future to meet demand of Cornwall's communities. The outcome of this programme will determine any future service transfers into Corserv Care; future transfers are likely to include Short Breaks/Respite Care services, Day Services and Employment Services.

Lifeline and Assisted Living Services transferred into the company in August 2022 and is subject to ongoing service improvement work to ensure capacity and efficiencies are created to support future growth and development.

We have enhanced our Leadership and Management Training to support career progression and development.

The increasing diversity of our services provides alternative career choices for people and opportunities to learn and develop new skills.

Further development of the website and our marketing campaign will continue to support recruitment; one of our highest priorities for 2023/24.

Service Development

The services have focused this year on the implementation and embedding of new shift patterns which improve capacity, provide a 7 day per week assessment and intake service and provide additional focussed capacity to support hospital discharges from acute and community hospitals whilst supporting people in their own homes.

An organisational development strategy within Corserv Care is being further developed to ensure training is tailored to meet the increasing needs and complexity of the people we support.

Income and Profit Summary

| | All Care | Budget 2022/23 | FYF 2022/23 | mvt | Base Budget 23/24 | mvt | Base Budget 24/25 | mvt | Base Budget 25/26 | mvt | Base Budget 26/27 |
|------------|----------------|----------------|---------------|-------------|-------------------|------------|-------------------|------------|-------------------|------------|-------------------|
| | | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Turnover | Sales External | 144 | 1,139 | 1,576 | 2,715 | 971 | 3,686 | 256 | 3,942 | 275 | 4,217 |
| | Sales Council | 9,573 | 8,894 | -1,028 | 7,866 | 252 | 8,118 | 246 | 8,364 | 254 | 8,618 |
| | Sales Inter Co | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | Other Income | 462 | 490 | -39 | 451 | -281 | 170 | 100 | 270 | 100 | 370 |
| | Total | 10,180 | 10,523 | -509 | 11,032 | 942 | 11,974 | 602 | 12,576 | 629 | 13,205 |
| Net Margin | | 314 | 211 | -315 | -104 | 176 | 72 | 132 | 204 | 121 | 325 |
| | | 3.1% | 2.0% | | -0.9% | | 0.6% | | 1.6% | | 2.5% |

Working in partnership with Health, Adult Social Care, Lifeline Services, Volunteer Services and private providers we are currently developing responder services to support people who call for an ambulance or GP who do not have life-threatening or medical conditions. Services will be funded through the elective recovery fund from the Department of Health as it recognises the ongoing increasing pressures across health and social care.

- Currently working in partnership to develop a Technology Enabled Care Strategy across Cornwall which will then define the care company's response and own strategy
- Following the transfer of Lifeline and Assisted Living Services in August 2022 a comprehensive programme of service improvement has been implemented to ensure capacity is maximised and the service is structured to absorb future growth and development
- Lifeline will provide a platform on which to develop our offer of support utilising technology enabled care. Innovative monitoring and assessment technology will ensure we optimize the care and support for individuals to create maximum independence for people

Achievements to date

- Continued focus on reducing management and infrastructure cost to enable an increased hourly rate and mileage rate to be offered to front line staff in the community to support cost pressures experienced through the cost-of-living increases
- Wellbeing team embedded providing private and personalised access to support for all members of staff; initial feedback has been positive. The Wellbeing Team

have also been supporting recruitment and retention and have played a pivotal role in supporting operational teams during challenging periods

- Provider of Last Resort activity has increased with providers across the community exiting the market. Corsev Care have worked in partnership with the Council and has provided directional leadership and management support as well as operational capacity to ensure continuity of care for over 140 clients
- Continue to improve productivity by over 10% across Corcare and STEPS with the introduction of the new shift patterns offering greater capacity to the system to respond to high levels of demand
- Successful transfer of Lifeline and Assisted Living Service in August 2022 and achievement of service and financial improvement.
- New operating model delivering 7 day per week assessment and intake service embedded.

Residential Care Service- Trefula House

- Improved the quality of care for our residents
- Introduced new model of care for Trefula
- Introduced dependency tool to assess and appropriately to determine safe and appropriate staffing levels
- Electronic Care planning introduced
- Achieved full training compliance for all staff and provided specialist training in partnership with health to manage challenging behaviours and de-escalation

Planned developments for 2023/24

| Development | Date |
|--|----------------|
| Establishment of Corsev Care and Support Service to support Provider of Last Resort Activity and the growth of private funder activity | March 2023 |
| Development of volunteer responder service in partnership with Lifeline, Volunteer Cornwall and Kernow CCG | May 2023 |
| Development of Provider of Last resort infrastructure to respond proactively to provider failure/concerns | April 2023 |
| TUPE Transfer of Cornwall Care's Community Services | Feb 2023 |
| Development of Business Cases to support the transfer of 2 domiciliary home care services following their intention to withdraw from the market (one in West and one in East of the County). Embedding workforce and activity into new registered service. | April 2023 |
| Focus on Quality Assurance and CQC compliance in light of TUPE transfers from providers which have evidenced non compliance in areas such as training, recruitment etc | ongoing |
| Focussed recruitment to deliver more flexible roles and build further capacity across community services | ongoing |
| Development of business cases to support future transfers into Corsev Care | September 2023 |
| Transfer in and embedding of Cornwall Council's in-house services to Corsev Care | By March 2024 |
| Reset of STEPS Enablement Service to ensure it meets the strategic requirements of the Council and continues to support the wider Health and Social Care System with hospital discharges | By April 2023 |

Core Development Plans beyond 2022 – 2026

Development Opportunities

A key area of development is the registration and growth of a new care and support service to enable growth in private income and to support the Council to respond to market challenges/failures. This service will be registered in 2023 and will provide a platform from which we will grow our private income and support people innovatively across Cornwall in partnership with the voluntary sector.

The development of responder services in partnership with Health and the voluntary sector has been slow in development due to market and recruitment challenges. 2023 will see the growth and development of these services that will provide vital support to people who do not require medical or personal care intervention but do require a level of support to maintain their independence.

Building on our strong reputation and continuing to recruit carer capacity will provide an opportunity to re-focus some of this capacity to other services. Our organisational development plan recognises clear career and training pathways to support staff with choices and opportunities to widen their experience or step away from front line services into support roles thereby maintaining vital capacity.

We will focus on the development of technology enabled care utilising Lifeline to provide the platform to provide response to monitoring systems. Our community services will continue to develop joint working with the voluntary services across Cornwall to ensure people receive the right level of care and support. Such partnerships will jointly address the opportunity to further develop the technology enabled care support to innovatively create much needed capacity in response to increasing demand across the wider health and social care system.

Development of an infrastructure to support the urgent response required to support provider failure in partnership with the Council. Such infrastructure will be focussed on the delivery of leadership and operational capacity together with essential HR and Finance support.

Focussed development work in partnership with the Council and the Integrated Care Board will provide a reset of STEPS Enablement Service to ensure it meets the strategic requirements of the Council and continues to support the wider Health and Social Care System with hospital discharges.



Future Service Transfers from the Council

The Transformation Programme within the Council is being supported by the Managing Director of Corserv Care who is responsible for the management and leadership of the in-house services. The MD is also responsible for the development of Business Cases to provide options for how in-house services will be delivered in the future; the business cases may also provide options for future transfer into Corserv Care of some of the remaining services which may include Day Services, Short term/Respite Care and Employment services.

Each service is currently undergoing a comprehensive review within the Council and will be subject to a separate Business Case to determine their future requirements to meet community need. Any transfers into the care company are likely to be towards the end of 2023/24.

Care Market

All current activity in care services are from the Council and Health. STEPS is funded through the iBCF (Better Care Fund) which is a pooled budget between Adult Social Care and Health.

The Airport



The Airport's primary goal is to drive economic benefit to Cornwall by connecting the region with the rest of the UK.

In 2020, an independent economist assessed that:

- 1,100 jobs were directly and indirectly supported by the airport
- It adds £62.7m of GDP to the economy of Cornwall annually
- The Aerohub Enterprise Zone has seen 240 jobs created in the first phase of the 72-acre business park
- Spaceport Cornwall is forecast to create 150 direct jobs and add £200m GVA to the economy by 2025

These benefits far outweigh the annual loss even at the Covid-19 pandemic levels of support. As well as this key economic purpose it plays a vital role in keeping critical safety and emergency services in Cornwall operational including:

- 3,000 movements for HM Coastguard Search and Rescue
- 2,400 movements for Cornwall Air Ambulance
- 10,000 movements for Ministry of Defence

It also facilitates Cornwall being able to act on the Worldwide stage by providing transport links to the rest of the world as was demonstrated with the G7 Summit.

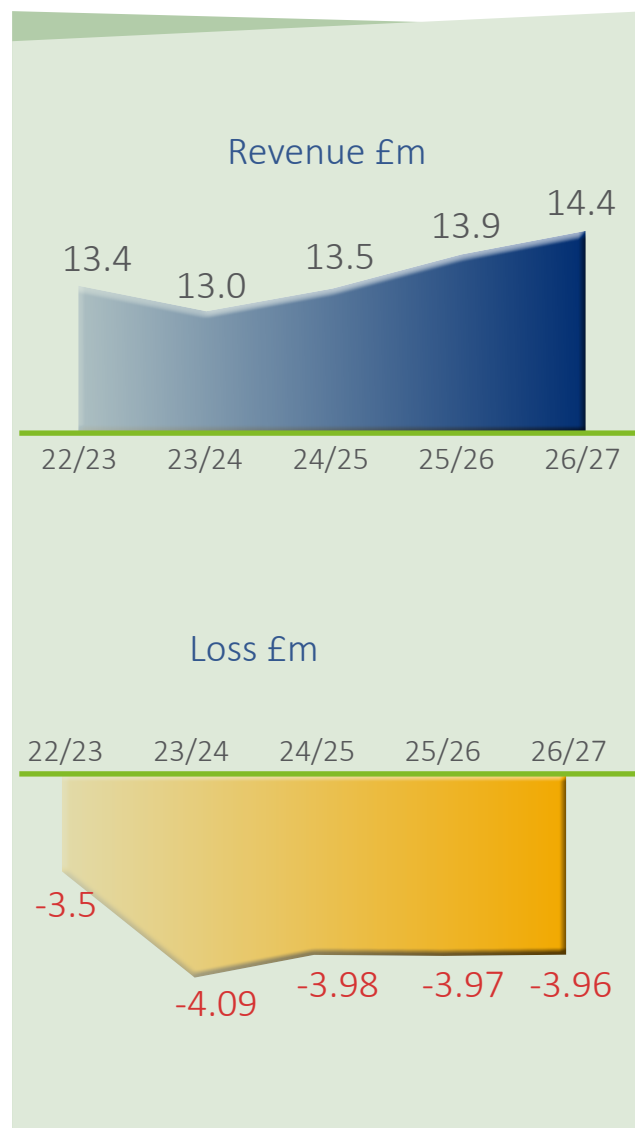
Executive Summary

This business plan continues to steer the Airport back to pre-pandemic levels of traffic and loss at a sustainable rate over the four- year period. Traffic forecasts are considered to have a good prospect of deliverability, despite turbulence in the regional aviation market.

We have seen evidence of recovery from the pandemic, with passenger numbers increasing from 125,000- in years 19/20 to 300,000 in yr 2021/22. This is forecast to continue to recover to pre-pandemic levels during the business plan period. However, this will only continue if future variants of COVID 19 do not negatively impact government protocols and therefore consumer confidence and demand.

We have observed a change in business travel patterns with less travel for traditional workplaces. This appears to have been replaced to some degree by less frequent travel for work related activities and we have observed more people relocating into Cornwall and working from home.

UK regional airports have undergone the most difficult three years in the history of aviation. CAL is comparatively well-positioned, both geographically and with the benefit of the subsidised London Public Service Obligation, to attract new airlines and passengers. This has been demonstrated by the high percentage of 2019 passenger volume recovered in 2022 versus other regional UK airports.



The Airport's key challenge during this business plan period lies in facilitating significantly different shaped airline schedules, exponentially increasing the demand for both resources and facilities throughout the operational day.

Costs have been modelled realistically using a granular bottom-up approach and have been subject to internal challenge. They retain the strong operational cost discipline that has been embedded in the business in recent years, incorporating the benefit of operational learnings from the recent restructure process. However, this still results in a total subsidy requirement of £15.5m across the full four-year Business Plan.

The ultimate aim for the Airport is to become subsidy free and produce a profit from a mix of commercial flights, property income and other site activities, whilst creating economic benefit for Cornwall through a vibrant business and transport hub where highly-skilled high-value jobs are based.

Principal Activities

Cornwall Airport Newquay has in recent years been the fastest growing airport in the UK, providing access to and from important business and leisure markets.

A range of airline partnerships and routes have been developed over time, catering to a wide range of Cornwall's travel needs. This includes domestic links supporting regional connectivity, International hub access to global destinations, high-value inbound tourism from key visitor markets such as Germany and Scandinavia and traditional outbound holiday flights to Spain and Portugal.

Recent independent analysis for Cornwall Council estimates that prior to the onset of the pandemic, the Airport delivered £62.7m of GVA for the region, directly supporting 1,100 jobs.

2020 through 2022 have been the most challenging years in the Airport's history, reflecting the position of the wider aviation sector globally. In early March 2020 Flybe, the Airport's main airline delivering over 70% of passengers and the bulk of its route network and income, went into administration which significantly impacted the financial year out-turn.

Prior to this it had been on course to deliver a positive profit and loss variance and record passenger volumes.

The continued impact of the Covid-19 pandemic and associated consumer uncertainty continued to reduce demand for travel in 2022 and a recovery of only around 60% of 2019 passenger numbers, albeit this was up from around 25% in previous year.

Other onsite activities, which range widely and include military and civilian flight training, aircraft maintenance and lifesaving emergency helicopter flights have continued to operate throughout the period, and in many cases have increased in volume.

Airport Market

• Passenger Traffic

Significant management focus since 2020 has been deployed to backfill routes lost after the collapse of Flybe, as well as to ensure the return of the Airport's existing carriers that have suspended flights. This has been largely now achieved and 2023 will see 10 airlines operate from NQY (more than pre-pandemic) and 21 routes operated. Passenger volumes are expected to recover to almost 100% of 2019 levels in 23/24, several years earlier than the standard industry expectation.

• London Public Service Obligation Route

This service, awarded under contract by Cornwall Council in partnership with DfT, is the predominant driver of passenger volume and income for the Airport. Awarded to Eastern Airways in late 2021, the route was severely impacted in the early months by the demand impact of the Omicron outbreak but has steadily built to expected load factor levels by the end of the year.

Whilst performing well now, the available funding on this occasion has meant that only a double daily service is funded. Volumes are therefore having to be recovered from commercial rather than PSO flying which has a significant impact on our income.

• Property

Demand for quality on-airport property remains robust, with a lack of suitable accommodation often serving as the limiting factor. The ongoing discussions with Cornwall Council around the future of the property estate will represent an opportunity to resolve some of these challenges, and various opportunities not included in the business plan are presented in the table below.

• Other income

A diverse range of additional income streams linked to passenger and non-passenger operation will continue to be exploited over the course of this business plan. Where existing activities take place, such as in-terminal retail and catering, changes to operating structures and commercial arrangements are being progressed to grow profit per passenger. Significant focus will continue to be deployed to maximise the attractiveness of the aerodrome operating environment to potential new operators on site, as well as capitalising on special events in Cornwall to grow landing fees and aviation services.



Assumptions and Sensitivities

The forecasts underpinning this four-year business plan have assumed continued recovery from the pandemic, no further travel restrictions being imposed and that consumer confidence to travel in the period 2023-2027 will continue to recover. That will ultimately drive airline behaviour and capacity growth, and achievable aeronautical yield. Given the very high fixed costs of airport operations, the sensitivities of these assumptions, and their impact on P&L/Loss requirement are very significant, driving continued high levels of uncertainty within this plan.

What are we doing to deliver our Business Plan?

1. Restructure / Headcount

The foundations of the Covid-19 recovery strategy have been built during in the 2020/21 financial year, with a significant restructuring of the Terminal services and implementation of a new lower-cost operating model on a reduced headcount which removed £1.3m of cost. This right-sized the operational cost base for the substantial reduction in commercial flights during recovery from the pandemic. However, the traffic forecast for summer 2023 with an increase in larger aircraft types and additional international flying will stress test both our resources and terminal infrastructure, therefore we have added additional resources into the plan to cope with this increase.

2. Developing new routes

The strategy has been to recover the route network lost by the collapse of Flybe and the Pandemic effect. This has been achieved with all airlines and most routes now recovered and the introduction of several new carriers over the past couple of years. There are now 10 airlines operating to/from Newquay, more than pre-pandemic. The route network is back to 21 destinations, which is similar to pre-pandemic. Having established the partnerships the focus going into 23/24 and beyond is to build the frequency, capacity and network with that established carrier base.

3. Enhanced focus on property strategy

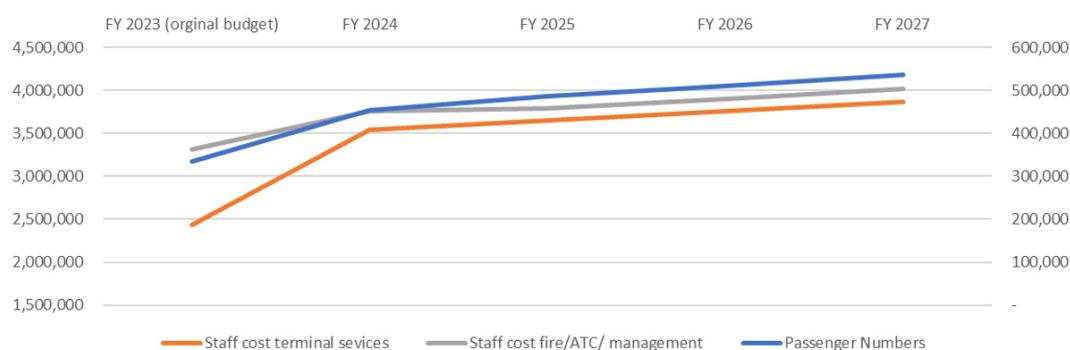
We are actively working with CBRE both to manage the estate and develop a robust vision and commercial strategy. This will support us in our drive to develop links with the Space technologies sector and maximise future revenue streams.



Income and Profit Summary

| £'000 | | 2022/23 | 2022/23 | | 2023/24 | | 2024/25 | | 2025/26 | | 2026/27 |
|--------------|----------------|---------|---------|------|---------|-----|---------|-----|---------|-----|---------|
| | | Year 0 | Year 0 | mvt | Year 1 | mvt | Year 2 | mvt | Year 3 | mvt | Year 4 |
| | | Budget | Act/FYF | | | | | | | | |
| Sales | Sales External | 9,115 | 13,370 | -345 | 13,024 | 473 | 13,497 | 436 | 13,933 | 465 | 14,399 |
| | Sales Council | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | Sales Inter Co | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | Other Income | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | Total | 9,115 | 13,370 | -345 | 13,024 | 473 | 13,497 | 436 | 13,914 | 465 | 14,399 |
| Net Margin | | -3,446 | -3,495 | -593 | -4,088 | 112 | -3,976 | 2 | -3,974 | 34 | -3,960 |
| Net Margin % | | -37.8% | -26.1% | | -31.4% | | -29.5% | | -28.5% | | -27.5% |

Staff Cost v PAX Numbers



Indicative route network for 2023:

Business Support Functions



Principal Activities

Corserv Limited is the parent company of the Group and provides support services to the companies within it. The support services that are managed by the central Corserv executive team include: HR, finance, procurement, IT business systems, marketing and communications, customer services, health, safety, environment and quality (HSEQ), company secretarial and legal.

Executive Summary

Following on from the implementation of our cloud-based HR and payroll solution, in March 2022 a new Group-wide Finance solution, Workday, was implemented. A key aim was to deliver, for the first time, a Group-wide view of finance and procurement.

The next phase was, to deliver in July 2022, a budgeting and forecasting platform for the Group which for the first time would give a joined up cash-flow, balance sheet and profit and loss for each company and the Group as a whole.

Challenges with the initial implementation have meant that Phase 2 of delivery has not yet commenced but is now anticipated to be delivered in 2023.

Looking ahead, over the next four years, Business Systems will be focused on:

- Supporting delivery of strategic plans
- Further embedding HR, finance and procurement services in business units, ensuring that through their close and integrated working we drive maximum business efficiency.
- Continuing to evolve our IT estate based on our published IT Strategy
- Creation and implementation of a Master Data Management Strategy to include creation of trained Information Asset owners
- Creation and implementation of an Integration Strategy and a planned implementation of that Strategy
- Using all of the above to drive further efficiencies

Supporting Strategic Plans

Business Systems has a critical role to play over the next four-years to support the businesses to deliver their strategies and to deliver its own Master Data management and Integration Strategies. This will require considerable change, over and above our normal service delivery. Due to the reduced level of support function that now exists within the Group additional support will need to be resourced at the time of change or when additional businesses are added to the Group.



Current

Stand-alone Group-wide solutions
Multiple sources of the truth for single data items
High levels of manual intervention in data and processes
Lack of data ownership and accountability

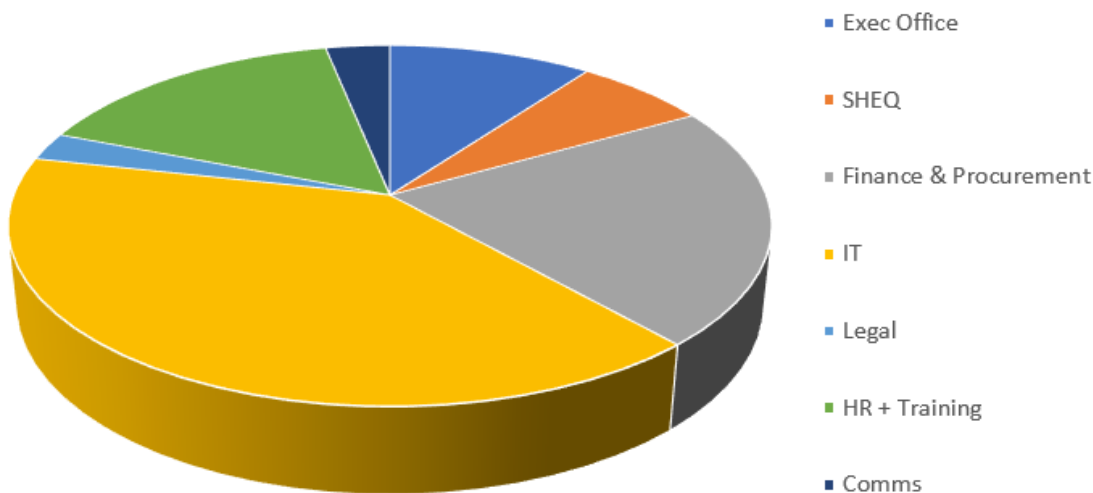
Future




Fully automated, integrated IT estate – as little human intervention as possible
Single, well-maintained source of truth for each data item
Cleaner corporate data and reduced data breach
Efficiencies delivered by having correct data in the right place at the right time

Costs

It is anticipated that delivery of all of the above across the remaining 3 years of the Business Plan could cost in the order of approximately £400,000. This would cover interim specialist resources, such as a data scientist and backfilling

existing roles to allow permanent resources to assist with delivery and implementation of data and integration work. This figure should also cover additional spend required for support from IT vendors.



| Industry Benchmarks (Top 3 cost areas 75% of cost) |  |  |  |
|---|---|---|---|
| Total Cost £m | £3.5m | £1.8m | £1.1m |
| Cost as a % of Revenue | 1.8% | 0.9% | 0.6% |
| Benchmark 1 | 3.28% Delloitte – All industries | 1.34% PWC <£0.7bn companies | 1.6% HR Benchmark Metrics 2018 |
| Benchmark 2 | 1.51% Delloitte – Construction | 1.20% CFO.ord Median point | |

| | | 22/23 | 23/24 | 24/25 | 25/26 | 26/27 |
|-------------------|------------------------------|---------------|---------------|---------------|---------------|---------------|
| | | Yr 0 | Yr 1 | Yr 2 | Yr 3 | Yr 4 |
| | | FYF | Budget | Budget | Budget | Budget |
| Support Services | Exec Office | 735 | 861 | 878 | 895 | 913 |
| | SHEQ | 484 | 316 | 322 | 329 | 335 |
| | Finance, Procurement & IT | 4,430 | 5,310 | 5,416 | 5,524 | 5,635 |
| | Legal | 183 | 192 | 195 | 199 | 203 |
| | HR | 1,144 | 1,195 | 1,219 | 1,244 | 1,269 |
| | Comms | 231 | 201 | 205 | 209 | 213 |
| | Customer Services | 0 | 0 | 0 | 0 | 0 |
| | Total costs | 7,206 | 8,074 | 8,236 | 8,401 | 8,569 |
| | | | | | | |
| | | 22/23 | 23/24 | 24/25 | 25/26 | 26/27 |
| | | Yr 0 | Yr 1 | Yr 2 | Yr 3 | Yr 4 |
| | | FYF | Budget | Budget | Budget | Budget |
| Operational Costs | Employee recharges | 891 | 891 | 965 | 1,043 | 1,064 |
| | Insurance | 1,231 | 1,231 | 1,256 | 1,281 | 1,306 |
| | Depot costs | 1,372 | 1,372 | 1,399 | 1,427 | 1,456 |
| | Customer services | 469 | 526 | 536 | 547 | 558 |
| | Training | 542 | 726 | 740 | 755 | 770 |
| | Operational Business Systems | 926 | 926 | 945 | 963 | 983 |
| | Audit | 160 | 160 | 163 | 166 | 170 |
| | Interest (net) | 165 | 165 | 168 | 172 | 175 |
| | Other | 64 | 40 | 41 | 42 | 42 |
| | Total | 5,821 | 6,037 | 6,213 | 6,396 | 6,524 |
| | | | | | | |
| | | 22/23 | 23/24 | 24/25 | 25/26 | 26/27 |
| | | Yr 0 | Yr 1 | Yr 2 | Yr 3 | Yr 4 |
| | | FYF | Budget | Budget | Budget | Budget |
| Sales | Recovery | 12,528 | 13,700 | 13,974 | 14,253 | 14,539 |
| | Other Revenue | 9,342 | 9,340 | 9,527 | 9,718 | 9,911 |
| | Total | 21,870 | 23,040 | 23,501 | 23,971 | 24,450 |
| | | | | | | |
| Costs | Support Services | 7,842 | 8,074 | 8,236 | 8,401 | 8,569 |
| | Operational Costs | 6,098 | 6,037 | 6,213 | 6,396 | 6,524 |
| | Other Costs | 8,820 | 8,899 | 9,021 | 9,143 | 9,325 |
| | Total | 22,760 | 23,010 | 23,470 | 23,940 | 24,418 |
| | | | | | | |
| Net Costs | | -890 | 30 | 31 | 31 | 32 |

Figures stated before additional Corserv Savings

TalentTide and Jobline Staffing



Executive Summary

2021/22 was a year of growth and development for the Group's Commercial Recruitment brands - TalentTide & Jobline Staffing. TalentTide was launched in 2021 with the remit to build external revenue within higher level niche markets.

Talent Tide is now well placed to expand and grow, the introduction of 3 new specialist recruiters has increased our capacity and client base and although market share is small, traction continues to build within our permanent placement sectors. New and repeat business is starting to generate a pipeline of work which expands beyond Cornwall into the South West and London.

Delivering our Business Plan 2023

The focus for the next the phase of the Business Plan will be to continue to build our brand and therefore market share. The successful recruitment of the additional headcount will build specialisms and capacity within the team, contributing to our growing external revenue and profit back to the Group.

Despite economic uncertainty, the shortage of skilled workers continues to fuel the recruitment market. Employers see the value of outsourcing recruitment to a valued partner with the ability to work on a more reactive, agile basis.

Agile approach

Talent Tide has already adopted technologies that allow recruitment to be conducted remotely, opening market and customer opportunities in any region of the country to deliver profitable growth. The investment in branding, marketing, SEO, AI and the year-on-year additional headcount, will allow Talent Tide to establish a presence in other regions with higher customer densities, average fees and ROI.

Talent Tide will use the latest technology to streamline recruitment processes, build talent pools and access key contacts. Allowing recruiters to be more creative in their approach to customers and potential candidates.

New Customer Relationships (Inside Sales)

Personal introductions, referrals and recommendations continue to be the strongest influencer in decision making. In this respect TalentTide will develop a cohesive plan for Inside Sales, to develop new market and customer opportunities. Through our ongoing Business Development new opportunities will emerge and through personal recommendation, new revenue streams can be developed .

As the largest private limited company within Cornwall, our network of sources is significant. As a Group our collective supplier base is extensive, providing contacts and references that can be captured through our CRM solution and our sphere of influence across the South West is supported by high profile non-executive directors.

Inside Sales Development Opportunities include:

- Developing past and existing JobLine customers
- Corserve Executive, including Board introductions
- LEP / Cornwall Trade & Investment contacts
- South West Aero industries, including Spaceport contacts
- South West Property Development, including Treveth contacts
- Candidate placements / referrals, building long term relationships

Successes

- Ahead of predicted financial targets 2021/2022
- Expansion of external client portfolio within target sectors despite ongoing economic certainty
- Successful tenders to supply an external Social Housing provider & University.
- Growth in Headcount expanding the TalentTide Team
- Streamlined processes by utilising AI to create efficiencies across the business
- Upskilled the team with copy writing training to support advertising and social media posts, creating brand awareness and increasing candidate attraction.

Financial Summary

This plan covers a period of significant organisational change for the Group. Coupled with that, and to support the business with its commercial activities going forward, Cornwall Council, our shareholder has agreed a refinancing package. Replacing much of the historic loan capital with equity and boosting working capital, this will set the business well to grow over the life time of this plan and deliver increased value to Cornwall.

The Group had a target of £9m cash return this financial year, including a £2.5m one-off dividend, but has faced some significant operational challenges in delivering that return which were not part of last year's plan.

As a result, we are currently forecasting a return of £8.2m. Despite the challenges highlighted below this is still an exceptional result given the continued impact of covid, Brexit and inflationary and labour challenges:

CHL has required significant investment in its compliance delivery and in the restructuring of its operational business and management teams.

Cormac has faced significant inflation in the year and this has weighed heavily on the industry. Inflation is running at 10% in the UK but material price inflation at the end of November was 22.7%. We estimate that bitumen has increased by £500k this year alone and combined with staff shortages post Brexit which is driving up wage inflation it is creating a very challenging environment.

The trading environment in Corserv Facilities has been difficult this year. A range of factors including increased overtime and agency costs in soft services and fleet and workshops, lower than budgeted margins in mechanical, electrical response, voids and capital projects and reduced turnover in housing capital projects have all impacted on the business.

Corserv Care has grown enormously towards the latter part of the year, absorbing two significant operators under the Provider of Last Resort contract. The cost associated with maintaining a suitable staff complement in this challenged industry is the most significant pressure facing the business.

Passenger numbers through the Airport continue below historic levels and reducing income. Short term cost reductions have mitigated the impact, pending expected growth in numbers later in the year. The additional LGW route, expected to carry 16,000 passengers per annum and other expansions expected in 2023 will have a positive impact as the year progresses.

Since the last business plan the Group continues to see a significant reduction and mix change in its revenue from Cornwall Council. The Group will redouble its efforts on growing its external revenues to offset this.

The business is facing 10.1% inflation for Foundation Living wage, 5% for other staff and an expected 5% material inflation into 2023/24. These costs have been built into budgets, with consequent pressure on margins. The Group has worked hard to identify savings and growth opportunities in 23/24 that have, largely offset their impact.

This gives us an underlying cash return (excluding CAL losses) of £2.0m in 23/24 and steady growth in later years. Over the life of the business plan we see this grow to £5.6m per annum.



Group Restructure and Refinancing

Driven by a number of strategic factors, the company structure will look very different as we move into 2023/24.

Cornwall Housing will be leaving the Group in 2023 and reverting to the direct ownership of Cornwall Council. This is to enable the company, as recommended in the Altair review, to better focus on its core responsibility of providing a housing management function for Cornwall Council's social housing. Supported by the Regulator, the move simplifies governance arrangements, enabling a direct delegation of budgets from Cornwall Council and a clear line of accountability for their effective control and management.

Cornwall Airport is expected to be leaving the Group in 2024. To really drive the greatest benefit to Cornwall serious investment needs to occur in the property to attract new businesses and jobs onto the Airport estate. Corserv, Cornwall Council and the Airport are currently investigating how this can be achieved. This is likely to involve a private investor - bringing the necessary expertise and finances - and a potential new company structure for the Airport outside of the Corserv Group.

As a Group we've also considered the Procurement Bill, which is currently going through Parliament and will, ultimately replace EU law in the post Brexit era. It examines Teckel Status and procurement law for local authorities and public bodies. As currently drafted, there is a real risk that if we remained structured as a Group of Companies, Cornwall Council would not be able to direct award contracts to Cormac, Corserv Care or Corserv Facilities as the new Bill requires a direct relationship with the company rather than through a third party. It would also prohibit the buying of support services from Corserv from its subsidiary companies. It is important to design a corporate structure that, as far as possible, mitigates this risk.

With this context, its Directors have concluded that it is no longer appropriate for Corserv Limited to continue in its current form and plan to move towards a one company approach. In practice this means that we will have two legal entities, a teckel company and section 95 for trading purposes, run with one board and executive team. Doing so achieves a number of things. It mitigates as far as possible the risk created by the Procurement Bill should it be passed in its current form. It creates the best possible opportunity to reduce the cost of corporate overheads, rightsizing them to the residual commercial functions of Cormac, Corserv Care and Corserv Facilities. Plans include a further £650k reduction in central costs associated with the restructure. And finally, it creates a simple, streamlined company with a clear focus on commercial growth and

driving improved return to the Shareholder.

Current plans are to condense activities into the Cormac Company structure; likely being renamed Corserv Solutions. This mitigates the extent of TUPE transfers and commercial contract novation across the business. In the short term, and until its planned departure in April 2024. Cornwall Airport will transfer under the ownership of the Cormac Company, leaving a slimmed down Group structure as follows:



Within the principal company of Corserv Solutions, there will be three distinct Operating Divisions; Cormac, Care and Facilities. They will be managed independently, supported by slimmed down corporate services. We will adopt a clear, transparent approach to segmental reporting so that the performance of each Division is clearly reported and understood.

This reorganisation will drive the commercial focus of the remaining Operational Divisions. In setting the plan for 2022/23, the Board and the Shareholder recognised constraints in the current financing model in pursuing that commercial objective; principal amongst them being a high level of gearing and the near full distribution of earnings as dividend which, combined severely restrict the Group's ability to invest in future growth. With the support of the Shareholder and based on the outcome of a review concluded during the year, this plan reflects an equity injection of £30m. This will enable the Company to refinance its existing loan stock and working capital balances as follows:

| Refinancing £'000 | £'000 |
|--------------------------------------|--------|
| Fleet loan | 7,500 |
| Long term working capital loan | 15,000 |
| Short term working capital injection | 7,500 |
| Total | 30,000 |

There is an associated reduction in interest costs of around £1.2m per annum. Remaining within the Group is the £18.5m loan associated with the purchase of properties under the PRA scheme. A balance of £1,467k, loaned by Cornwall Council to Cornwall Housing, will transfer out of the Group with the company in April 2023.

To support the continued development of the company, the refinancing is coupled with a revised dividend and retained earnings agreement with the Shareholder. Under this agreement 50% of earnings after interest, tax and depreciation will be paid as a dividend. The balance retained in the company will be used to further business growth, invest in capital and / or pursue strategically important agendas such as carbon neutrality.

Financial Plans 2023 to 2027

This business plan offers our Shareholder a cash return, including CAL losses whilst remaining within the Group of £21.5m over the next four years.

In generating this return, the plan delivers:

- An improved balance sheet, work capital and cash flow directly associated with the refinancing of the Group's activities by the Shareholder
- A profitable Group, with all areas returning to profit by 2024/25, with the exception of CAL whilst within the Group and which is expected to continue to be impacted by covid demands for several years to come
- The accommodation of £1.7m of costs associated with the Group restructure
- The implementation of a fair and transparent overhead pricing model, ensuring that all Divisions and companies being supported by Corserv central services are charged appropriately
- A £650k reduction in overhead costs and the absorption of residual fixed costs left as companies exit the Group across the remaining business lines
- Significant revenue growth, rising from £220m in year 1 to £283m in year 4 of this plan. This is driven by external growth, particularly in Cormac
- External revenues, earned from clients other than

Cornwall Council, increase from 59% of total revenue to 71% over the lifetime of this plan, further reducing our reliance on a single client and adapting the budget pressures experienced by the Council

- Capex investment of £21.8m all funded from within the Group's operating activities and requiring no further investment from Cornwall Council. There is an assumption that the Group will not go further into debt to fund its capex
- Tax efficient strategies have been used to utilise the CAL losses across other Group profits whilst they remain in the Group.

Recognising that Cornwall Housing are planned to leave the Group, their results are excluded from the financial returns described in this business plan. However, to support the Shareholder in the budget setting cycle, the most recent copy of the company's plan for 2023/24 is appended to this document. It is important for the Shareholder to note the financial risk set out in this plan, which currently shows a deficit of £2.3m. The narrative notes that the company remains in a transitional phase with significant expenditure driven by the need to ensure compliance with property safety standards. The document describes the deficit as being managed through the application of capital budgets and HRA reserves during the course of the year. The Shareholder will need to assure itself of this plan with reference to its own HRA budget setting process which has only recently been completed.

Cash Return

Through the life of this plan, the construct of the cash return has been simplified to include:

- **Dividend:** Based on the retained earnings policy agreed with the Shareholder, future dividend will be 50% of earnings after tax and depreciation
- **Interest :** Being that applied to the outstanding loan associated with the acquisition of PRA properties
- CAL losses whilst remaining in the Group

The plan for 2022/23 includes a 'one-off' dividend payment of £2.5m. Not relating to profits earned in the year, this payment effectively distributes all remaining historic reserves of the Group and was agreed to support the Shareholder with its budget deficit.

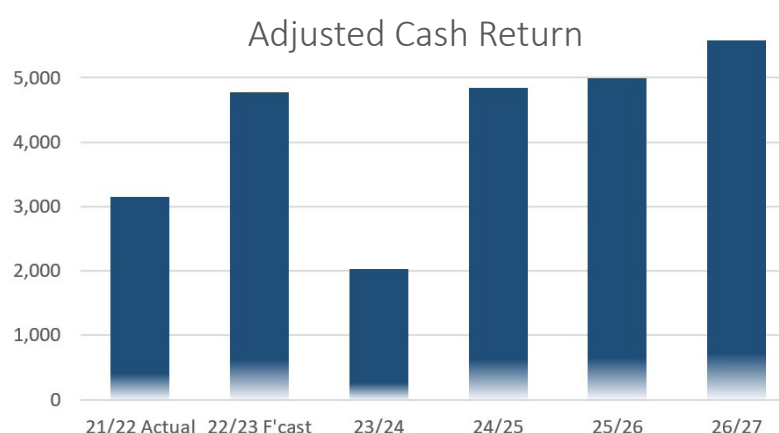
| Cash Return £'000 | 21/22 | 22/23 | | This Plan | | | |
|----------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | Actual | Plan | F'cast | 23/24 | 24/25 | 25/26 | 26/27 |
| Interest | 1,533 | 1,900 | 1,639 | 350 | 350 | 350 | 350 |
| Dividend | 0 | 2,500 | 1,835 | 1,681 | 4,487 | 4,637 | 5,228 |
| Rebate | 1,621 | 1,200 | 1,303 | 0 | 0 | 0 | 0 |
| CAL Losses | 3,635 | 3,400 | 3,441 | 4,088 | 0 | 0 | 0 |
| Total | 6,789 | 9,000 | 8,218 | 6,119 | 4,837 | 4,987 | 5,578 |
| Adjusted Cash Return | 3,154 | 5,600 | 4,777 | 2,031 | 4,837 | 4,987 | 5,578 |

Whilst included in the construct of the cash return, CAL losses do not represent a real cash payment to the Shareholder. This plan assumes that those losses will be covered in the alternative arrangements that will be established with a new commercial partner for the Airport from April 2024 onwards.

The adjusted cash return represents real cash flow to the Shareholder as generated from trading activities in any given year of the plan. The adjusted cash return rises from £2.0m to £5.6m over the life time of this plan.

Taken together across the three years from 23/24 to 25/26, the adjusted cash return amounts to £11.9m. When allowing for the accommodation of £1.7m of change costs and the significant impact of inflation on the margins core businesses, this compares well with the £13.6m included in the current version of the plan for those years.

Profits available for cash return in the Group have grown from £3.2m in 21/22 to a forecast of £5.6m in 26/27. This is being delivered through additional commerciality and productivity within the areas of the Group (Cormac, Facilities and Care) which deliver profits for the Group.



Revenue

Revenue over the next four years is projected to grow from £204m to £283m. In the earlier sections of this plan, each business has set out the growth strategy that will deliver this revenue projection, with a particular focus on the expansion of external, commercial activities.

The Cormac business will focus on extending its existing external income streams, with the support of Shareholder colleagues it will seek to develop partnership models with other Local Authorities and building the business through acquisition of complementary businesses.

The Facilities business will focus on securing income growth through increase rates for the existing client base, recovering inflation in line with contract terms. It will look to negotiate and retain the Repairs Service Partnership agreement with Cornwall Housing. In later years of the plan, it will look to drive growth by securing an additional £4m of turnover from Housing capital programme. There are also modest growth plans of circa £400k built into the Fleet and Workshops business

The Care business, as well as taking on significant growth through the Provider of Last Resort contracts – estimated at 40% - will focus on developing an income stream from the development of Lifeline and extending their domiciliary care offer to private, self paying customers.

| Sales Revenue £'000 | 21/22 | 22/23 | | This Plan | | | |
|---------------------|---------|---------|---------|-----------|---------|---------|---------|
| | Actual | Plan | F'cast | 23/24 | 24/25 | 25/26 | 26/27 |
| Cormac | 113,177 | 105,326 | 110,212 | 112,900 | 121,860 | 147,040 | 163,640 |
| Care | 11,277 | 10,180 | 10,746 | 11,032 | 11,974 | 12,576 | 13,204 |
| Facilities | 44,258 | 47,059 | 49,390 | 59,530 | 65,310 | 73,270 | 81,470 |
| Airport | 7,349 | 9,115 | 11,708 | 13,029 | 0 | 0 | 0 |
| Corserv | 15,800 | 20,592 | 21,870 | 23,040 | 23,267 | 23,965 | 24,684 |
| Total | 191,861 | 192,272 | 203,926 | 219,531 | 222,411 | 256,851 | 282,998 |

Margin

Throughout this business plan, there is a clear focus on generating the best possible returns across all commercial income streams.

| Margin £'000 | 21/22 | 22/23 | | This Plan | | | |
|-----------------|--------|--------|--------|-----------|-------|--------|--------|
| | Actual | Plan | F'cast | 23/24 | 24/25 | 25/26 | 26/27 |
| Cormac | 2,922 | 4,651 | 3,905 | 6,055 | 6,028 | 6,763 | 7,528 |
| Care | 599 | 314 | 743 | -104 | 72 | 204 | 325 |
| Facilities | 1,723 | 2,896 | 1,069 | 1,999 | 2,671 | 3,425 | 4,018 |
| Corserv | -1,834 | -505 | -610 | 0 | 0 | 0 | 0 |
| Change Costs | 0 | 0 | 0 | -1,700 | 0 | 0 | 0 |
| Interest | 0 | 0 | 0 | 1,200 | 1,200 | 1,200 | 1,200 |
| Sub-Total Group | 3,410 | 7,356 | 5,107 | 7,450 | 9,971 | 11,592 | 13,071 |
| Airport | -4,136 | -3,446 | -3,441 | -4,088 | 0 | 0 | 0 |
| Group | -726 | 3,910 | 1,666 | 3,362 | 9,971 | 11,592 | 13,071 |

Profitability continues to be driven largely by the activities of Cormac and the Facilities business.

Company level profitability is affected, particularly in the early years, by a redistribution of central support costs. Historically these have not been shared on an equitable basis and this has been corrected in this plan. In addition, fixed costs left 'stranded' in the Company following the exit of Cornwall Housing and the Airport have been redistributed to the remaining Companies. The combined impact benefits the Cormac businesses and adds to the cost of all others, with a net impact of £1.4m over the first two years of the plan.

The impact of these changes takes the Care business into a deficit position for 2023/24 and broadly break-even in 2024/25. The planned commercial growth in the business takes it back to a profit making position by 2025/26. In the interim, the Group restructure provides the opportunity to support the business through the resilience of the wider Company.

| Rebased & Stranded Overhead £'000 | 23/24 | 24/25 |
|-----------------------------------|-------|-------|
| Cormac | 704 | -238 |
| Care | -673 | -54 |
| Facilities | -71 | -136 |
| Airport | -484 | 0 |
| CHL | -428 | 0 |
| Group | -952 | -427 |

The financial plan allows for £1.7m of change costs associated with the Group restructure and anticipates interest savings of £800k arising from refinancing arrangements.

Capital expenditure

The refinancing arrangements described earlier in this report restate the basis upon which cash generated by the business is shared with Cornwall Council via dividends. Cash retained in the business will be invested in further business growth, capital and / or pursue strategically important agendas such as carbon neutrality or is invested in capital expenditure.

Whilst the cash position is improved through these arrangements it remains a key risk for the Company; it is dependent on the delivery of the plans of each business unit. It will continue to be carefully managed to ensure that

we retain enough cash in the Group to sustain both the returns to Cornwall Council and fund investment. At this stage, the Company does not intend to borrow additional funds for capital expenditure.

The business plan continues the agreed capital investment profile agreed by the Board, driven by an annual investment in fleet of £4.5m. At this stage there is no intention to purchase any further PRA properties.

In total this represents a £21.8m investment over the four-year Business Plan.

| Capital Expenditure £'000 | 21/22 | 22/23 | | This Plan | | | |
|------------------------------|---------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | Actual | Plan | F'cast | 23/24 | 24/25 | 25/26 | 26/27 |
| Land & Buildings | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Vehicles | 3,250 | 4,500 | 3,435 | 4,500 | 4,500 | 4,500 | 4,500 |
| IT Systems | 1,500 | 300 | 1,382 | 100 | 100 | 100 | 100 |
| Other | 0 | 100 | 0 | 100 | 100 | 100 | 100 |
| Total | 4,750 | 4,900 | 4,817 | 4,700 | 7,700 | 4,700 | 4,700 |
| PRA Property | 12,500 | 5,000 | 0 | 0 | 0 | 0 | 0 |
| Total | 17,250 | 9,900 | 4,817 | 4,700 | 7,700 | 4,700 | 4,700 |

With the refinancing arrangements improving the cash position, part of the developing strategy in Cormac is to consider opportunities for growth through the acquisition of complementary businesses. With no targets yet firmly identified, no allowance is made in the plan. Each target will be fully examined as identified and be the

subject of a full business case, investment appraisal and affordability. As agreed, fixed asset plans will be updated. Given the significant values involved in such transactions, Shareholder involvement in the decision making and approval process is likely.

Group funding (loans)

Following the refinancing and restructure of the Company, it is left with just one loan arrangement:

| | | |
|----------|--------------------------|-----------------------|
| PRA Loan | Lender: Cornwall Council | Interest rate: 2.75%. |
|----------|--------------------------|-----------------------|

Previous loans for fleet (£7.5m) and working capital (£15m) will be repaid early in 2023/24.

A specific loan of £1.467m between Cornwall Council and Cornwall Housing will transfer out of the Company in the Group restructure programme.

At this stage, there is no intention to draw down additional loan facilities for the duration of this plan.

Balance Sheet

The balance sheet strengthens considerably through the life of the plan, driven primarily by the planned equity injection and repayment of long-standing debt. Traditionally, the Group has operated on very thin cash reserves. In challenging times this has meant that the Group has needed to access emergency loan facilities again. The working capital injection, coupled with the agreed 50% retention of earnings through the duration

of this plan, strengthens the cash position and the overall balance sheet. Whilst the cash position is improved through these arrangements it remains a key risk for the Company; it is dependent on the delivery of the plans of each business unit. It will continue to be carefully managed to ensure that we retain enough cash in the Group to sustain both the returns to Cornwall Council and fund investment.

| Balance sheet £'000 | 21/22 | 22/23 | | This Plan | | | |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | Actual | Plan | F'cast | 23/24 | 24/25 | 25/26 | 26/27 |
| Fixed Assets | 50,449 | 56,786 | 55,363 | 54,734 | 55,674 | 57,647 | 59,447 |
| Current Assets | | | | | | | |
| Stocks | 2,687 | 2,646 | 3,434 | 3,246 | 3,126 | 3,182 | 3,239 |
| Debtors | 33,339 | 24,834 | 55,421 | 39,247 | 37,263 | 40,196 | 44,407 |
| Cash | 14,471 | 14,288 | 9,815 | 22,386 | 25,284 | 28,939 | 32,421 |
| Total Current Assets | 50,497 | 41,768 | 68,670 | 64,879 | 65,672 | 72,317 | 80,066 |
| Creditors : Amounts falling due within 1 year | -38,500 | -29,585 | -49,239 | -42,526 | -39,730 | -43,626 | -47,838 |
| Net Current Assets | 11,997 | 12,183 | 19,431 | 22,353 | 25,942 | 28,691 | 32,228 |
| Total Assets less Current Liabilities | 62,446 | 68,969 | 74,794 | 77,087 | 81,616 | 86,338 | 91,676 |
| Creditors : Amounts falling due after more than 1 year | -37,986 | -42,720 | -46,950 | -13,000 | -13,000 | -13,000 | -13,000 |
| Provisions for Liabilities incl Deferred Tax | -3,964 | -3,904 | -4,163 | -4,452 | -4,674 | -4,920 | -5,189 |
| Net Assets | 20,496 | 22,345 | 23,681 | 59,635 | 63,941 | 68,418 | 73,487 |
| Shareholder Funds | | | | | | | |
| Called Up Share Capital | 8,000 | 8,000 | 8,000 | 38,000 | 38,000 | 38,000 | 38,000 |
| Profit and Loss Account | 12,496 | 14,345 | 15,681 | 21,635 | 25,941 | 30,418 | 35,487 |
| | 20,496 | 22,345 | 23,681 | 59,635 | 63,941 | 68,418 | 73,487 |

CAL losses and Group Tax Strategy

Since 2017, under company law, it has been possible for companies within a Group like Corsev to offset losses in one subsidiary part of the Group with profits from another subsidiary – this allows profitable parts of a Group to reduce its Corporation Tax liability with those losses. As a Group we have been utilising the losses made at CAL to offset profits in CSL, improving value returned to Cornwall Council over the last 4 years.

The Board has considered its approach to Corporation Tax planning, particularly the interaction between the application of capital allowances, including super-

deductions, and this application of Group Relief. It has determined to continue to apply Group Relief as a priority, to take all available super-deduction capital allowances and, where necessary defer the application of standard capital allowances. The Group will therefore continue to utilise CAL losses in this way whilst it remains in the Group structure. In 2023/24, before its expected move out of the Group, it is forecast that Cornwall Airport will require £4m in subsidy which will be funded by the Group and counted as cash return to the Shareholder.

Key Performance Indicators

Thee will be agreed with Cornwall Council by 30 September 2023. The following Key Performance Indicators have been agreed with Cornwall Council as the Shareholder. They are chosen as a set of key measures, achievement of which will confirm the successful delivery of the key elements of this business plan.

Cormac

Care

Facilities

Airport

Corserv



Governance

Executive Summary

During 2022, the group governance structure has been further embedded, is working well and has provided a more streamlined decision-making process. There has also been a reorganisation of the Governance Team. The Group Governance and Control Officer now provides support to the Boards within the group with specialist legal support drawn in as required.

This plan describes a significant change to the composition of the Group, ultimately recommending a restructure into one company, focussing on three commercially driven businesses operating as trading divisions.

The coming year will see a significant focus on effecting the legal transactions that underpin the delivery of this commercial strategy. We will commission professional advice - legal, accounting and tax – as required and to ensure that the new legal structure lands safely. This will also require us to work closely with Cornwall Council to comply with Shareholder governance requirements, devise appropriate arrangements for future governance and to ensure that those changes that affect both organisations are managed in a coordinated way.

We will focus on building a Board with rights skills, commercial knowledge and experience to lead the new, single company.

The reorganisation of the current Group structure is a massive project, sponsored at Board level. We will establish a Programme Board and put in place the structures and capacity required to ensure high standards of governance throughout. Clear reporting to Board will ensure that risk and issues are identified early and corrective actions taken in a timely manner.

As the process evolves, regular governance reviews will be undertaken to ensure the structure remains fit for purpose.

The Board will operate with following key principles:

- Ensure that the non-executive directors' experience and knowledge align with our core services
- Simplify and speed up decision making through a single Board structure
- Improve the scrutiny that the governance delivers to the company, and
- Develop and maintain a one company ethos whilst maintaining the identity and autonomy of its operating division.

Whilst remaining part of the structure, we will ensure that Cornwall Airport Limited (CAL) Board structure complies with the requirements set out within the Airports Act 1986 in terms of the experience and number of directors. The CAL Board is comprised of four statutory directors; the Group Managing Director, 2 non-executive directors and the CAL Managing Director. Other Corserv Directors attend meetings on a non-voting basis.

Membership of the committees will be structured as:

| Committee | Members | Attendees |
|--|---|---|
| Audit and Risk Committee | Chair – Non-Executive Director Member – Non-Executive Director | Chair, Corserv, Non-Executive Director Managing Director, Corserv Finance Director, Corserv Principal Audit Manager, Cornwall Council Principal Auditor, Cornwall Council – by invitation External Audit – by invitation Governance and Control Officer |
| Remuneration and Nomination Committee | Chair – Non-Executive Director Member – Non-Executive Director | Chair, Corserv, Non-Executive Director Managing Director, Corserv Finance Director, Corserv Director of HR, Corserv |

Committees

Audit and Risk Committee

The Board is supported by the Audit and Risk Committee. Its responsibilities include:

- Statutory reporting and compliance with company law
- Financial controls and risk management framework
- External audit fees and engagement
- Internal audit mandate and engagement

Remuneration and Nomination Committee

The Board is also supported by the Remuneration and Nomination Committee. Responsibilities of the committee include:

- Review and agree the framework and broad policy for the remuneration of Directors and senior managers of the Company and its subsidiaries
- Review the ongoing appropriateness and relevance of the remuneration policy
- Review and note annually the remuneration trends across the Company and its subsidiaries
- Be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the Committee
- Make recommendations to the Board with regard to remuneration levels and benefit packages for the Company

Introducing the Board

We are proud to introduce the new Corserv Board. Our members' experience and skills are built around the core business areas of Highways, Care, Property and Aviation. Many of our Non-Executive Directors are recognised nationally and internationally in their field of expertise.



Pete Andrew MBE

CHAIR OF CORSERV

Pete Andrew has a wealth of industry experience and an in-depth understanding of the issues affecting house builders. Pete started life as a trainee QS at George Wimpey and during a career spanning 40 years progressed to become the UK Land and Planning Director - and a Board member - at national house-builder Taylor Wimpey UK. He was also one of the four practitioners who helped draft the National Planning Policy Framework for then Planning Minister Greg Clark. He was awarded an MBE in the 2018 New Year's Honours for 'services to construction' in recognition for this work. Pete is also a Council member of the NHBC, Chairman of Burrington Estates – a West Country developer, Chairman of IT company Twindig and Chairman of Dorchester Group - a housing and place-making company.



Cath Robinson

GROUP MANAGING DIRECTOR

As Corserv Group Managing Director, Cath was instrumental in establishing the company and leads the diverse Group of businesses with a keen focus on the bottom line, always putting the customer first and keeping the workforce at the heart of everything. She has over 30 years' experience leading operational services in local government and has demonstrated results in finance, HR, organisational development, commercial and legal services. Boasting a distinguished career, from apprentice to chief finance officer in Cornwall Council, Cath is a qualified CIPFA accountant and holds an MBA from Warwick Business School. She was previously the chief operating officer for Cornwall Council where she led services for the fire service, public protection, libraries, customer services and property.



Paul Cooper

INTERIM GROUP FINANCIAL DIRECTOR

Paul joined the Group as Interim Finance Director in August 2022. Working initially in practice, qualifying as a Chartered Accountant with KPMG, Paul has spent most of his career in the NHS, working at Director level in NHS Trusts across Devon and Cornwall. He has a wealth of experience, not only in financial management, but also in performance management, governance, analytics and information management, programme management and change delivery. During his NHS career, Paul led a range of major change programmes - some of the biggest to health and care system delivery across the two counties in recent years - and will use that experience to support the Group to deliver its transformation agenda in the coming years.



Tim Jeans

NON-EXECUTIVE DIRECTOR

A long-term aviation professional, Tim has served in many senior positions during his nearly two decades in the industry. As commercial director of Ryanair, Tim played a key role in its European expansion, most notably into Brussels and Frankfurt. He has also served as chairman of Stobart Air Ltd, Monarch Electric Service Company, and he is currently a non-executive director at Cornwall Airport Newquay.



Julia Gregory

NON-EXECUTIVE DIRECTOR

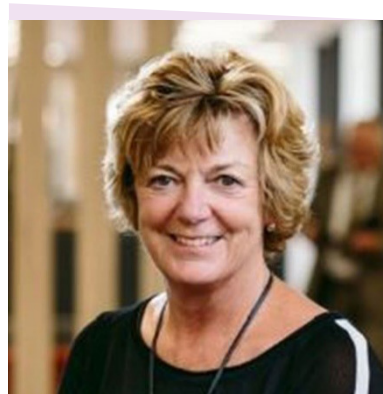
Julia has over 29 years' experience in leading the development and delivery of key infrastructure across the highways, transportation and aviation sectors. Her career has demonstrated a strong focus on driving results to improve commercialism, performance, customer service, quality and safety. Julia is a Fellow and Council Member of the Chartered Institute of Highways and Transportation (CIHT), as well as a Trustee for Homestart Hertfordshire. Julia is also currently the Director of Projects at Ebbsfleet Development Corporation (EDC).



Dr Simon Ashby

NON-EXECUTIVE DIRECTOR

Dr Simon Ashby is Professor of Financial Services and Risk Management at Vlerick Business School, Belgium. Simon has worked as an academic, a financial regulator and a senior operational risk manager in a number of UK financial institutions. He is an expert in risk management, corporate finance and governance and provides training and consultancy services in these areas. Simon is a Fellow and former Chairman of the Institute of Operational Risk and a Director (until March 2022) and past Audit and Risk Committee Chair of Plymouth Community Homes. Simon lives in North Cornwall with his wife Alison and several chickens. They enjoy long walks around the Cornish coast, sea swimming and body boarding and growing as much of their own food as possible.



Vivienne Horton*

NON-EXECUTIVE DIRECTOR

Vivienne is a lawyer by background and worked for over 30 years in local government finishing that phase of her career as Chief Executive of Macclesfield Borough Council. She then worked for a national regulator, The Standards Board for England, before working in the private sector as Director of the Public Sector team for a niche legal costs consultancy. She joined the Board of Merlin Housing Society in 2012 and became its Chair in 2017. In that role she led the creation of a successful partnership between Merlin, Severn Vale Housing and Bromford Housing Group. She served as Senior Independent Director and Chair of Remuneration and Nominations Committee of Bromford from 2018 until 2021. She is an experienced and influential NED with strong customer focus. Viv is also a member of the Cornwall Housing Limited Board.

**Since this plan was developed, Viv has stepped down from the Corsev board to mainly focus on her role as Non Executive Director on the CHL board.*

Appendix 1

Cornwall Housing

Executive Summary

The journey to improvement for Cornwall Housing remains very much in place and 2022 saw the appointment of the new management team who now hold responsibility for driving forward change across this key service areas for local residents. The journey has been well documented but needs to be restated to ensure that the position and the scale of change required is well understood.

In October 2019, following concerns raised by the new CHL Board Chair and also the Group Managing Director of Corserv, supported by the Council, Altair were appointed to undertake an in-depth assessment of the operational effectiveness of the organisation. The report was published in February 2020 and raised significant concerns over the leadership, governance and Council Commissioning activities, together with identifying weaknesses in landlord Health and Safety, with particular reference to Electrical testing compliance.

During February and into April a new, interim leadership team were appointed, and by natural turnover changes were made to the CHL Board pending a more comprehensive review of the governance of the company.

Pennington Choices were appointed in May 2021 to undertake a full audit of the Compliance position and identified that CHL was non-compliant in four of the principal six areas, namely, Electrical EICR Testing, Asbestos, Fire Safety and Legionella, adding a fifth, local to Cornwall, Radon.

As a result, the Council self-referred the situation to the Regulator for Social Housing, who subsequently, confirmed a breach of the Regulatory Standards and placed the Council (and CHL) under Regulatory Notice.

Based on the intensive work undertaken by the interim leadership team a number of major weaknesses were identified.

In summary, there were and continue to be serious compliance failings and a significant backlog of repairs to local homes. These homes have also suffered from either a lack of investment, or some misdirected investment and certainly a lack of strategic focus, leading to a housing stock that requires significant investment particularly in

respect of roofing, rewiring and heating and external fabric upgrades. Estates are also in poor condition with a further backlog of physical and environmental maintenance.

There has been and continues to be a lack of technical and professional expertise across the organisation to meet these challenges, and the restructure of 2022 sought to address the gaps in place and allow the new management team to recruit to deliver the right expertise going forward.

Cornwall Council, Corserv and Cornwall Housing committed

CORNWALL HOUSING

to undertake a reset and a number of these strategic actions came together in 2022. These included:

- Agreeing the new Housing Management Agreement, with proportionate Commissioning arrangements
- Reviewing the Governance arrangements and recruiting to the CHL Board
- Providing adequate, but significant additional funding to the Company for investment in tackling Repair and Maintenance backlogs, with the recruitment of professional staff. This has been delivered via the Council's Housing Revenue Account Budget.
- Delivering significant improvements to Landlord Health and Safety Compliance with an aim to move towards exiting Regulatory overview as soon as possible
- Appointment of a new Executive Team to drive the company forward

Specifically during 2022 the ongoing Management Agreement was also considered as the current arrangement was due to expire.

To support decision making in November 2021, Altair were again commissioned to undertake a full options appraisal on the future of CHL, this appraisal considered four options,

1. Take CHL back into the Council, and manage the service directly
2. 2a. Retain CHL as an ALMO, but invest at appropriate levels
2b. Retain CHL as an ALMO, but with reduced services, General Fund services to return to the Council. CHL to concentrate on Housing Landlord services only, again with appropriate funding
3. Consider transferring the stock under a Large Scale
4. Voluntary Transfer to a Registered Provider

The decision was taken to go with option 2b and this has been implemented throughout 2022, with a new CC Commissioning Team being put into place and the new Management Agreement being signed in September 2022.

In September 22 the Council moved the housing options and homelessness services into the Council and this has allowed Cornwall Housing Ltd to focus on the core business of housing management and looking after tenants, supporting the wider principles of the Altair review.

All of these actions put Cornwall Housing in a good position to drive the improvement journey in 2023 and onwards.

Strategic Objectives – A New Beginning

Cornwall Council owns around 10,300 homes (plus associated garages, shops, playgrounds and open space) and these are managed and accounted for in the ringfenced part of the Council's finances called the Housing Revenue Account (known as 'the HRA'). CHL manage these properties on the Councils behalf. The Council prepares an annual HRA Business Plan which sets out the resources available to CHL to manage our stock.

The key outcomes that have been agreed between the Council and CHL for managing our council housing are:

- All homes will be safe
- Nobody should live in a property that is damp and where defects cause condensation or mould Residents will have the opportunity to be meaningfully involved in decisions about service delivery and standards
- We will create a culture of respect in which all employees and contractors respect the people who live in our homes
- We will respond and learn from complaints.
- We will have detailed investment plans to meet the challenges of increasing energy costs and being carbon neutral
- All homes will be of good quality
- Estates will provide good environmental standards and create spaces where people wish to live.

Overall, the Councils priorities for the HRA are for it to thrive and respond to the goals of the Council through the Provision of new homes

- Meeting our decarbonisation agenda
- Regeneration of our communities
- Providing more specialist and supported accommodation

Cornwall Housing is a key stakeholder in developing the annual HRA Business Plan for delivery in 2023 and onwards. It is important that we translate that into detailed implementation and improvement plans.

Cornwall Housing does not operate in a bubble, and whilst the organisation has, had to focus inwards over the past 12 months, there has to be recognition of the wider environment in which CHL operates within. Some key issues are,

Housing White Paper–

'The charter for social housing residents'

The Charter lays out seven commitments:

1. To be safe in your home. We will work with industry and landlords to ensure every home is safe and secure.
2. To know how your landlord is performing, including on repairs, complaints and safety, and how it spends its money, so you can hold it to account.

3. To have your complaints dealt with promptly and fairly, with access to a strong Ombudsman who will give you swift and fair redress when needed.
4. To be treated with respect, backed by a strong consumer regulator and improved consumer standards for tenants.
5. To have your voice heard by your landlord, for example through regular meetings, scrutiny panels or being on its Board. The Government will provide help, if you want it, to give you the tools to ensure your landlord listens.
6. To have a good quality home and neighbourhood to live in, with your landlord keeping your home in good repair.
7. To be supported to take your first step to ownership, so it is a ladder to other opportunities, should your circumstances allow.

The recommendations within the White Paper will be far reaching for the sector most notably in significant changes in national reporting against Tenant Satisfaction Measures (TSM's) and a complete change in the regulation of the Customer Standards and bringing Local Authorities fully into the scope of the Regulator for Social Housing for the first time.

Building Safety Act and Fire Safety Act 2022

The government brought forward wide reaching legislation in 2022 that has fundamental change in the delivery of building safety. This will improve conditions so that people will be, and will feel, safer in their homes. The changes apply to both current and future buildings deemed to be 'high-risk'.

CHL has delivered a Building Safety Engagement Strategy that ensures that our residents and leaseholders have access to vital safety information about their buildings, are involved in the decision making and the inclusion of a new complaints handling requirement that will be introduced to make sure effective action is taken where concerns are raised.

The strategy also addresses the need to have identified accountable persons for carrying out duties properly to ensure that high risk stock is managed effectively ensuring that residents are kept safe in their homes.

Sustainability and our Carbon Zero commitment

This approach remains at the heart of asset management planning and supports the council wider objectives in this area. Put simply Cornwall Housing plans and delivers capital investment activities around the sustainability criteria aligned to the HRA and Council objectives.

Future Homes Standard and Cornish Standard

Although the Future Homes Standard hasn't yet set out upgrade requirements for existing homes, it does discuss energy requirements for extensions, building improvements and renovation, essentially ensuring existing homes are also subject to higher standards to meet the UK's target for achieving net zero by 2050.

We want to ensure that we provide a safe, warm and high quality home for our customers, therefore it is our intention to review our approach to Asset Management and invest in innovative solutions and smart technology to improve the energy efficiency and performance of our homes.

We will revisit the Cornish Standard and also develop our sustainability strategy that will include our offering to social value and investing in the local economy.

New homes for Cornwall

Cornwall Council have a very ambitious plan for the development of new homes, both for social and affordable housing as well as new homes to privately rent through their Housing Development company, Treveth.

The Housing Revenue Account Business plan agreed in February 2019 set out commitments to deliver over 1700 new Council homes over a period to 2028 with on average between 200 and 250 new homes each year.

Since then, a total of 231 homes were delivered by the end of Q3 2022-23, with a further 68 homes due for completion in Q4 2022-23. Provisional figures for 2023-24 indicate that over 170 homes should be completed, marking a further step change in delivery rates. A growing stock of new accommodation provides welcome opportunity for us to provide secure homes for more people.

Property Condition

The national focus on damp and mould and general disrepair across housing remains a priority for Cornwall Housing. The recent history of service delivery identifies that there is more that can and must be done in this area and Cornwall Housing and the council agreed a new team focused on such conditions in 2022 and this team will continue to work in 2023 to deliver the right outcomes for local residents. Cases should reduce as the wider repairs backlog and more effective complaint and service resolution approaches are embedded but meaningful action in a timely manner will remain a priority and focus for the management team. The service will also bring forward the asset management approach that will focus on external facades to address the underlying causes of the disrepair.



Working with residents to deliver localized solutions while improving overall condition of the stock will drive effective improvements.

While there has been some progress around compliance and improved standards there is still much more to do and Cornwall Housing remains at the beginning of its journey to improve. 2023 should see new governance structures and the embedding of changes from the new management team. A new Board, with the right skills and expertise is in place and will support and drive this change. A focus will be the achievement of release from Regulatory oversight and the embedding of compliance standards. General change will need to be delivered across all aspects of service delivery and residents will be at the heart of designing and overseeing these changes and service standards. The building blocks are there and it is for the new management team to now drive forward this change and, along side the council and Corserv, deliver the right services for local residents.

CHL Current Position

Income

- The CHL management fee is set by the funding formula agreed within the Management Agreement. This provides funding of £834.30 per home for housing management and a repairs fee of £870.76 per home. These fees will be uplifted by 10.1% in line CPI (as set out in the management agreement).
- Based on stock numbers of 10,294 these fee calculations will give baseline funding of approximately £19.32m for 23/24.
- CHL expects to receive additional funding to continue the work to deliver compliance and staffing structures over and above this management fee and these funding streams have been included in planning assumptions.
- The council plans to review the calculation of the management fee during 2023/24 and this is welcomed to normalise the overall management fee available and ensure that CHL is funded at an appropriate level in line with expectations but also being able to demonstrate value for money.
- Whilst the focus of CHL activity will be on the HRA there remains some non HRA Housing Management notably Temporary Accommodation and G&T where CHL and CC have agreed should be delivered by CHL subject to a separate management and fee agreement. The detail of which is being jointly agreed is expected will be confirmed prior to April 2023 to ensure that there is no cross subsidisation between the HRA and council general fund activities.
- It is noted that the financial position does not present a balanced budget as there is a gap between the expected expenditure required to deliver the service plan and the income assumed to be received to meet these expenditure plan. It is recognized that CHL remains in a period of transition and remedial repair works and compliance works remains both the highest priority and beyond business as usual for both CHL and the council. It is anticipated that this position will be further reviewed during 2023 with an expectation of HRA reserves and the capital programme being used to broker the gap on an open book basis. This will move the financial position into a more formal basis for 2024/25 as CHL moves out of remedial actions and into planned actions that can be more closely monitored and responsibility agreed

| | 22/23 Budget | Inflation Change | Other | 23/24 Budget |
|--------------------|-----------------|------------------|--------------|-----------------|
| | £,000 | £,000 | £,000 | £,000 |
| Expenditure | | | | |
| Staffing | 5,870 | 411 | 0 | 6,281 |
| Compliance | 2,647 | 267 | 0 | 2,914 |
| Remedial Repairs | 3,491 | 352 | 0 | 3,844 |
| Response Repairs | 2,816 | 284 | 2,000 | 5,200 |
| People & Places | 1,446 | 146 | 0 | 1,592 |
| General | 3,721 | 375 | 0 | 4,097 |
| Total | 19,991 | 1,837 | 2,000 | 23,928 |
| Income | | | | |
| Mgt Fee – Mgt | (8,576) | (866) | (14) | (9,456) |
| Mgt Fee – Repairs | (8,590) | (904) | (14) | (9,869) |
| Mgt Fee - Other | (1,586) | (143) | 0 | (1,729) |
| CC income | (461) | (32) | 0 | (493) |
| Other | (417) | 0 | 417 | 0 |
| Total | (19,991) | (1,946) | 390 | (21,547) |
| | | | | |
| Current Risk | | | | 2,381 |

Expenditure

- Staffing budgets are expected to reflect the structure implemented throughout 2022/23 with recruitment completed and limited use of interim officers and only within budget available. Officers to deliver special projects will be funded outside the management fee and documented separately. A 7% pay award has been assumed within planning assumptions but this will be dependent on wider consultation with staffing representatives.
- The budgets for compliance have been held at current levels as these reflect the ability to deliver the expected annual compliance checks. They assume delivery of 6,959 gas checks, 3,098 electrical checks, 1000 asbestos checks, 777 solid fuel checks and 1,094 renewable checks, along with legionella, lifts and radon checks.
- The remedial repairs and response repairs budgets are currently under review and will need to be set based on current expected activity levels and unit costs. These need to incorporate remedial works emerging from compliance activity and the level of backlog and ongoing repairs required. Both these areas are driving overspends against 2022/23 budgets and represent a risk of around £2m for 2023/24 based on current trends.
- People and Places budgets will be held consistent with 2022/23 levels and will need to contain community developments such as estate management within the current approaches
- General and management budgets will be updated to reflect changes proposed within governance and support services. The impact of these are still be determined and will be brought forward in early 2023 for wider discussion.

Service Delivery

- CHL remains in a state of change and the delivery of services in 2022/23 will focus on the stabilisation of approach and doing the work to develop new methods of working. This will continue the work started by the interim management team and ensure CHL is on the road to excellence across all service areas. The service delivery plans under development (and which will form local targets for staff) will look across the business and identify outcomes that will deliver core service areas expected of all landlords and focus on the service and cultural change required across CHL.
- CHL are mindful of both national and local factors. The new Management Agreement between CHL and the Council sets out a range of outcomes that are expected and these have been captured and included in the proposed plans. Sitting alongside this there are a number of requirements that CHL must deliver in order to meet core landlord requirements for all social housing providers and are detailed within economic and consumer standards set out by the social housing regulator. CHL will also be required to ensure that it is delivering against all national standards set out by the Housing Ombudsman, the social housing Regulator and the new requirements of the social housing white paper, ensuring that it is well prepared for new and current standards as they roll out during 2023.
- This framework of requirements is set out below
- It should be noted that this framework represents the legislative approach and will support the organisation to ensure that it can be judged by the Regulator and meet any inspection requirements. However the framework must also sit alongside softer targets reflecting how residents “feel” while living in a CHL home, whether they are empowered, and how they can also influence and be involved in both their local communities and wider CHL services. Some of these softer targets are represented by the Tenant Satisfaction Measures included in the Housing White Paper, but CHL will also need to go further to capture and test this part of the service plan and is a key area of development over the next few years.
- To bring all this together the service plans set out a series of outcomes that must be delivered and these are detailed in the table below. Some will be delivered throughout 2023/24, but some are longer term pieces of work and will be delivered across a number of years and this will be reflected in the commentary and targets set.

| Requirement | Defined By |
|-------------------------------------|--|
| Local Cornwall Council Requirements | Management Agreement – Commissioning Framework |
| Legislative Standards | Legal and statutory requirements |
| National Regulation | Housing White Paper Bill 2022 |
| National Regulation | Building Safety Act 2022 |
| National Regulation | Social Housing Regulator |
| National Standards | Housing Ombudsman |

Draft service plan

| Business Area | Expected Outcome | Standard |
|---------------------------|---|--------------|
| Building Safety | Meet all required compliance standards for buildings | SHR |
| Asset Management | To bring forward measures to manage damp and mould and reduce instances of occurrence | CP, HO |
| | To understand the stock and bring forward investment decisions | CP |
| | To bring forward new programmes around planned an cyclical maintenance in order to ensure that all homes to be of good quality | CP, SHR |
| | To embed the new arrangements with CFL for the delivery of the repairs service, ensuring that agreed improvements are delivered | |
| Customer | To implement new methods through which residents can be meaningfully involved in shaping the delivery of services | CP, SHR, HWP |
| | To demonstrate the tenant voice is heard by CHL and the council | CP, HWP |
| | To ensure that CHL can meaningfully report the new TSM's | CP, HWP |
| | To deliver an effective resident scrutiny function | CP, HWP |
| | To bring forward improvements in the experience of customer contacts with CHL | HWP |
| | To implement a new and effective complaints policy and ensure that CHL responds to and embeds learning from complaints | CP, HO |
| | To bring forward new ways of working within the customer contact centre that supports and embeds new service standards | SHR |
| Housing Management | Create a new estates policy that supports continuous improvement, supports community engagement and prioritises investment | HWP |
| | Complete a programme of estate walkabouts | CP |
| | Ensure systems are in place that support residents effectively and that safeguarding is appropriately delivered for all staff and residents | SHR |
| | Bring forward new measures and approaches that support tenancy management and enforcement | SHR |
| | To set out approaches that deliver tenancy sustainment as a core target and empowers residents to support themselves | SHR |
| | Agree the approach to non HRA housing services and roll out new arrangements | SHR |
| | Deliver a lettings service that addresses housing need and maximises income collection for the HRA | SHR |
| | Deliver an enforcement approach to housing management that seeks to support and resolve all stakeholders | SHR |
| Income Management | To deliver effective income management services that maximises income to be collected | SHR |
| | Delivery of financial inclusion services that support and empower local residents | SHR |
| | To deliver effective service charge management with local residents | SHR |
| | To support the income collection for the non HRA services, supporting council income management | |
| General | To develop a new culture of dignity and respect across the organisation | CP |
| | To develop and agree a new set of values and embed these across the organisation | |
| | To ensure that all staff have the skills to do their jobs | CP |
| | To develop new governance structure | |
| | To clearly demonstrate value for money throughout all CHL operations and publish a VFM statement | CP |
| | Ensure that effective financial information is available to all relevant stakeholders | |
| | Ensure effective IT systems are in place and longer term approaches are considered and set out | |
| | Deliver effective performance management approaches that meet all needs of stakeholders | |
| | Ensure that CHL completes effective benchmarking so that value can be challenged and measured | |

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