

CABINET

Date of Meeting	Tuesday, 18 th July 2017
Report Subject	North East Wales (NEW) Homes Business Plan
Cabinet Member	Deputy Leader of the Council and Cabinet Member for Housing
Report Author	Chief Officer (Community and Enterprise)
Type of Report	Operational

EXECUTIVE SUMMARY

This report seeks Cabinet approval of the NEW Homes Business Plan 2017/22.

The plan sets out key elements of the company's proposed growth plan to increase the number of properties managed and owned as affordable housing over the next five years.

The business plan was approved by NEW Homes Board as a strategic planning document 28 March 2017; subject to ongoing scheme by scheme final approval and validation of financial appraisals by the company's Board and the Council's Cabinet. This includes any new homes to be developed via the SHARP programme, Section 106 properties and any property acquired through borrowing against existing assets.

RECOMMENDATIONS

1	Cabinet is asked to approve the NEW Homes Business Plan 2017/22; noting that any proposed developments requiring capital funding will be brought to cabinet for specific scheme by scheme approval following approval by NEW Homes board.
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REPORT DETAILS

1.00	BACKGROUND TO NEW HOMES
1.01	North East Wales Homes, (NEW Homes) is a Housing company established by Flintshire County Council and begun trading in April 2014. NEW Homes owns, leases and manages properties across Flintshire. The company was established to increase the quantity and quality of affordable housing available; increasing housing choice for those who may not qualify for social housing but for whom market housing is unaffordable or difficult to access.
1.02	In addition NEW Homes provides a professional service to landlords as a managing agent as a means to increase the supply of quality affordable rental housing.
1.03	<p>The business plan assumes consistent levels of growth in both Managed and S106 properties over the next 5 years.</p> <p>In addition, income from the Walks development has been included on a phased basis throughout 2017/18.</p> <p>Cash reserves are expected to reach £0.826m by year 5. Consideration will now be given to setting aside reserves for major repairs and other emergencies.</p> <p>Ongoing annual surpluses will be held and agreed amounts returned to the council at intervals for reinvestment in Council priorities.</p>
1.04	The Board of NEW Homes met in September 2016 to review the development of the company to date and progress against the original business plan objectives and targets. A range of ideas and plans emerged from this session and after further analysis and development work over a six month period this was developed into a revised business plan for NEW Homes.
1.05	This work has been supported by independent expertise and challenge; and after detailed consideration and risk analysis was approved by NEW Homes Board on the 28 March 2017 as an achievable, moderate plan for growth over the next five years.
1.06	As part of this process, the Board reviewed progress of the three main portfolio areas against the projections made in the original Business Plan.
1.07	Strategic Housing And Regeneration Programme (SHARP)
1.08	The business plan includes The Walks, Flint which will see the delivery of 62 affordable houses and apartments. The capital funding was provided from the Council in the form of a 45 year annuity loan. Following NEW Homes Board approval in March 2017 the loan was signed on the 31 st March 2017.
1.09	The first seven NEW Homes properties on The Walks, Flint were let during June 2017, with a phased handover scheduled for all future properties on

	the scheme.
1.10	All proposed future SHARP schemes will be approved by both NEW Homes Board and Council Cabinet on a scheme-by-scheme basis.
1.11	Section 106 Units
1.12	NEW Homes currently have 33 Section 106 Units and is anticipating to receive a further 26 homes over the next 5 years from developers meeting their affordable housing provision obligations through Section 106 Agreements.
1.13	These properties are transferred to the company as “unencumbered assets” and are currently the most profitable element of its commercial activities. The positive working relationship which has evolved between the Council, NEW Homes and construction partners through the development of this product has facilitated the rapid delivery of a high quality product in communities where this supply of Affordable Rent properties has enabled local people to remain living within their own communities.
1.14	Management Offer
1.15	NEW Homes manages and lets property on behalf of landlords who own property, through a management agreement. The product enables the company to take on the functions of the landlord in return for a one off £195 sign-up fee and a 10% of rental income monthly management fee which is subject to annual review. NEW Homes currently has 29 properties within its management portfolio.
1.16	Growth has been slow in 2016/17 compared to 2015/16 with the emergence of Rent Smart Wales and the highly competitive nature of the market within this sector. The company however has retained the majority of landlords once signed. The relative costs of running this service, as compared to the company’s other business activities and the level of competition that is being faced have raised questions about continued investment in this service.
1.17	However this service does contribute towards the council’s corporate objective to increase the range of housing options available and NEW Homes has committed to use income from other activities to support this aim. The Housing Options Service agreed at the end of 2016/17 to provide grant funding for a post to enable continued growth in this area.

2.00	RESOURCE IMPLICATIONS
2.01	The Business Plan details the financial implications of the company’s Growth Strategy for the duration of the Business Plan 2017-22.

3.00	CONSULTATIONS REQUIRED / CARRIED OUT
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3.01	No consultation undertaken as part of this report.

4.00	RISK MANAGEMENT
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4.01	NEW Homes has developed a strategic Risk Register which is regularly reviewed by the NEW Homes Board. In addition, an operational Risk Register for The Walks, Flint scheme has been established and is regularly reviewed at each NEW Homes Board Meeting.
4.02	The funding model for The Walks scheme makes prudent allowances for vacant units and bad debt to ensure that there is sufficient headroom within the funding model to minimise the potential of any shortfall of income over expenditure; therefore providing a high level of assurance that arrangements will be self-financing from rental incomes.
4.03	In order to ensure both the Council and NEW Homes realise value for money for both the scheme build costs and the proposed funding option adopted will be independently verified by a Cost Consultant.
4.04	A Performance and Financial Update Report is also presented at each NEW Homes Board meeting to review the operational and financial performance of the company.

5.00	APPENDICES
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5.01	Appendix 1 – NEW Homes Business Plan 2017-22.
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6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
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6.01	<p>Contact Office: Clare Budden Job Title: Chief Officer Community and Enterprise Telephone: 01352 703800 E-mail: clare.budden@flintshire.gov.uk</p>
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7.00	GLOSSARY OF TERMS
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7.01	<p>Strategic Housing And Regeneration Programme (SHARP) – Flintshire County Council House Building Programme which will build 500 new homes (200 Council) and 300 (affordable).</p> <p>NEW Homes - North East Wales Homes, (NEW Homes) is a Housing company based in Flintshire and owned by Flintshire County Council. NEW Homes owns, leases and manages properties across Flintshire. The company was established to increase the quantity and quality of affordable housing available across the county; increasing housing choice for those who may not qualify for social housing but for whom market housing is</p>
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unaffordable or difficult to access. In addition NEW Homes provides a professional service to landlords as a managing agent as a means to increase the supply of quality affordable housing.

Section 106 Planning Obligations and Conditions – Planning obligations, also known as Section 106 agreements (based on that section of The 1990 Town & Country Planning Act) are private agreements made between local authorities and developers and can be attached to a planning permission to make acceptable development which would otherwise be unacceptable in planning terms. The land itself, rather than the person or organisation that develops the land, is bound by a Section 106 Agreement, something any future owners will need to take into account.

Rent Smart Wales - Rent Smart Wales is a service within Cardiff Council, in place to administer the requirements for landlord registration and agent and landlord licensing under the Housing (Wales) Act 2014. The Licensing Authority is working with local authorities to carry out their functions under the Act. Local authorities for each area may lead enforcement action against those landlords and agents not complying with their legal obligations on behalf of the Licensing Authority. In order to offer a complete service for the private rented sector in Wales, Rent Smart Wales also has information available to assist tenants living in, or looking to live in, the private rented sector.