

CABINET

Date of Meeting	Tuesday, 17 th December 2019
Report Subject	North East Wales (NEW) Homes Business Plan 2019/2048
Cabinet Member	Cabinet Member for Housing
Report Author	Chief Officer (Housing and Assets)
Type of Report	Strategic

EXECUTIVE SUMMARY

The Business Plan sets out key elements of the company's proposed Development Strategy to increase the number of Affordable Rent Properties delivered over the next three years by 207 units. This will increase the total number of properties managed by North East Wales (NEW) Homes to 309.

The Business Plan was approved by NEW Homes Board as a strategic planning document at its Board meeting on the 11th March 2019 and includes new homes to be developed via the SHARP programme, Section 106 properties and partnering with local developers and housing associations.

By way of background, there is an obligation on NEW Homes to seek Cabinet's approval in respect of any Business Plan that provides the strategic objectives of the company. Specifically, under the terms of the Relationship Agreement that the Council has with NEW Homes. Each year the company must comply with and implement the Business Plan with prior approval from Cabinet.

RECOMMENDATIONS

1	To note and comment on progress made through the delivery of the NEW Homes Business Plan 2019/2048.
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REPORT DETAILS

1.00	EXPLAINING THE NORTH EAST WALES (NEW) HOMES BUSINESS PLAN 2019/2048
1.01	North East Wales Homes Limited (NEW Homes) is a wholly owned subsidiary of Flintshire County Council and owns and manages affordable housing in the Flintshire area. It began trading in April 2014 and was established to increase the quantity and quality of affordable housing and increased housing choice for those who may not qualify for social housing but for whom market housing is unaffordable or difficult to access.
1.02	NEW Homes currently owns and manages 107 units across Flintshire. These are made up of a combination of new build schemes delivered through the Council's Strategic Housing And Regeneration Programme (SHARP) and gifted properties negotiated with developers through Section 106 agreements.
1.03	The Business Plan included projections for a total of 207 additional properties to be delivered through a combination of SHARP new build (39), gifted properties (21), Section 106 (85) and Developer / Partnership (62) over the next three years.
1.04	<p>The first capital loan of £7.53m was approved by the Council in December 2018 to build affordable homes on the Walks site in Flint as part of the Council's Strategic Housing and Regeneration Programme (SHARP). Cabinet approved an additional loan to NEW Homes up to a maximum of £10m in 2018/19 capital programme for batch three schemes built by NEW Homes including Llys Dewi, Nant y Gro, Dobshell and Saltney. A further £20m has been approved by Cabinet during 2019/20 to finance the additional new build units proposed in NEW homes business plan.</p> <p>All loans provided by the Council are fully funded by NEW Homes via the rents received on each scheme which pay the prudential borrowing costs in full. The Council fund also receives income for providing these loans through:-</p> <ul style="list-style-type: none"> • A 1% loan fee on the total amount borrowed. To date the Council fund has received £75.3k additional income. • A 0.21% margin above prudential borrowing rates. Borrowing agreed to date will bring in additional income of £431.8k over 45 years to the Council fund.
1.05	Strategic Housing And Regeneration Programme (SHARP)
1.06	Good overall progress continues to be made on a number of schemes which NEW Homes are developing across Flintshire through the Council's Strategic Housing And Regeneration Programme (SHARP). This is detailed in Appendix 1.

1.07	A proposed mixed tenure at Nant y Gro, Gronant with the Council which will deliver 4 affordable rent properties for NEW Homes has been delayed due to issues with drainage attenuation following the introduction of new legislation.
1.08	From 7 January 2019, all new developments in Wales of more than one dwelling house or where the construction area is 100m ² or more, will require Sustainable Drainage Systems (SuDS) for surface water. Revisions to the existing drainage strategy for the scheme, along with additional cut and fill proposals are currently being undertaken which require a further planning application being submitted. This will be determined by the end of November 2019. It is proposed that the scheme will start on site in April 2020, planning matters being acceptable.
1.09	Further schemes are being worked up through the SHARP. However, these schemes are not included in the business plan at this stage as work is progressing on scheme viability and design.
1.10	Gifted Units
1.11	NEW Homes were anticipating a further nine units in the Business plan in 19/20 taking the total gifted units to 49. This is on track with 5 already received in Kinnerton and a further 4 anticipated in Saltney later this year.
1.12	These properties are transferred to the company as “ <i>unencumbered assets</i> ” at NIL value. 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 the availability of Affordable Rent properties has enabled local people to remain within their own local communities. Rental income from these properties helps to support future growth for new affordable schemes.
1.13	Future Growth
1.14	Following the review of its Development Strategy, the Business Plan is aiming to focus on growth in the following areas; <ul style="list-style-type: none"> • Purchase of Section 106 properties; • Developer / Partnerships with Local and Housing Associations • Utilising land owned by Flintshire County Council, where available
1.15	Purchase of Section 106 Properties
1.16	NEW Homes is looking to build on the positive relationship it has developed with local contractors from whom it has received “gifted” Section 106 units by looking to purchase more in the future. S106 units are usually purchased at 70% of Open Market Value (OMV). Section 106 units require little resource for maximum output of delivery of units. Again, partnering with a developer requires less resource as the developer will provide the upfront finance and expertise. This could provide NEW

	Homes with a variety of developments ensuring the units for NEW Homes are not all “standardised” offering a variety in design, individuality and don’t fall foul of the “building boxes” label.
1.17	The Business Plan assumes the purchase of 85 Section 106 properties over the next three years, to be purchased at a projected 70% of Open Market Value (OMV). NEW Homes business plan assumes that 45 developer S106 properties will be purchased by early 2020/21, giving time in 2019/20 to identify and progress potential opportunities in this area.
1.18	The target number of 85 new Section 106 properties is proving difficult to achieve due to the significant level of competition for Section 106 properties in Flintshire from local housing associations. To date, the company has made an offer for 7 Section 106 properties in total which are currently being considered by respective developers. Other opportunities are being actively pursued in Flintshire. However, in order to achieve its growth target, NEW Homes may need to consider undertaking more SHARP and Land and Package Deals to offset any shortfall in the delivery of Section 106 properties.
1.19	There is significant competition for in the current climate which will increase with the zoning of two additional housing associations in Flintshire during the past three months.
1.20	Strategic Partnerships with Local Developers and Housing Associations
1.21	<p>The development of strategic partnerships with local developers and Housing Associations through “<i>Design and Build</i>” package deals requires less resource as the developer will provide the upfront finance and expertise. The Business Plan assumes a growth of 62 units over three years through strategic partnerships with local developers and housing associations.</p> <p>NEW Homes business plan assumes that 25 developer/partnership properties will be built in 2020/21, giving time in 2019/20 to identify and progress potential opportunities in this area.</p>
1.22	<p>Negotiations are on-going with a housing association and private developer on a large strategic site in Flintshire with the view of establishing a Land and Package deal. This site will deliver 40 new properties for the company.</p> <p>Land and Package deal negotiations are also advanced with a developer at Oakenholt for 16 NO. 3 bed houses. It is anticipated this scheme can be bought forward quickly subject to terms and conditions being agreed. These properties are in addition to the 12 NO. 2 bed apartments which are being gifted to the company on the Croes Atti scheme, Oakenholt.</p> <p>NEW Homes is also working on a number of further potential schemes, please refer to Appendix 1.</p>

1.23	Utilising land owned by Flintshire County Council
1.24	Flintshire County Council own a number of smaller sites which NEW Homes is looking to develop in partnership with the Council using local smaller contractors.
1.25	Governance
1.26	At the NEW Homes Board meeting on the 5 th of September 2019, a new Chair, Paul Humphries was unanimously appointed. Paul has been a Board Member since the inception of the company in April 2014.
1.27	A Board Member Away Day took place in November to review the progress which the company is making and feed into the business planning cycle for 2020/2047 Business Plan.
1.28	Performance Plan
1.29	Appendix 2, which is included as a Part 2 agenda item, shows the latest Performance Report approved at the NEW Homes Board on 5 th September 2019.

2.00	RESOURCE IMPLICATIONS
2.01	The Council would be required to commit to borrow up to £20m to on-lend to NEW Homes. This would fund the provision of affordable homes throughout the County.

3.00	IMPACT ASSESSMENT AND RISK MANAGEMENT	
3.01	NEW Homes has developed a strategic Risk Register which is regularly reviewed by the NEW Homes Board.	
3.02	In order to ensure both the Council and NEW Homes realise value for money SHARP scheme build costs are being independently verified by a Cost Consultant.	
3.03	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.	
3.04	Ways of Working (Sustainable Development) Principles Impact	
	Long-term	Positive - more affordable homes will be provided in the right location
	Prevention	Preventing - preventing people becoming homeless through ensuring there is relevant services and accommodation

Integration	Positive – the delivery of affordable homes will contribute to integration within communities
Collaboration	Positive – the Business Plan and Development Strategy is based upon delivering homes and services in partnership with the relevant stakeholders and businesses.
Involvement	Positive - individual decision making will involve all partners with strategic oversight by the Strategic Housing Partnership.

Well-being Goals Impact

Prosperous Wales	Positive - Providing good quality affordable homes, aiming for low / zero carbon. Also ensuring the homes are in the place that people need them and will meet their housing needs. Maximising local employment and training opportunities for local people.
Resilient Wales	Positive - Developing low / zero carbon homes though adopting modern methods of construction and other relevant technologies.
Healthier Wales	Positive - Ensuring our homes are fit for purpose and will enable people to stay in their home for longer, and ensuring we have homes that meet the needs of all people in our society including those who are most vulnerable supporting their well-being.
More equal Wales	Positive - Providing good quality and decent homes.
Cohesive Wales	Positive - Contributing to attractive, viable, safe and well-connected communities through promoting good design and collaborative delivery.
Vibrant Wales	Positive - Ensuring our communities are diverse through good communication of housing and employment opportunities which will enable them to remain living in the area.

	Globally responsible Wales	Positive - The outcomes of the Business Plan and Development Strategy will contribute to improving the economic, social, environmental and cultural well-being of Flintshire communities.

4.00	CONSULTATIONS REQUIRED / CARRIED OUT
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4.01	The NEW Homes Business Plan and Development Strategy has been previously presented to Housing And Asset Scrutiny in May 2019 for comment prior to presentation to Cabinet in June 2019 for approval.
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5.00	APPENDICES
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5.01	Appendix 1 – NEW Homes Development Strategy Appendix 2 – NEW Homes Performance Plan (PART 2)
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6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
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6.01	None.
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6.01	Contact Office: Melville Evans Job Title: Housing Programmes Service Manager Telephone: 01352 701436 E-mail: meville.evans@flintshire.gov.uk
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7.00	GLOSSARY OF TERMS
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	<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.