

## COMMUNITY & ENTERPRISE OVERVIEW & SCRUTINY COMMITTEE

<b>Date of Meeting</b>	13 <sup>th</sup> April 2016
<b>Report Subject</b>	NEW Homes Business Plan 2016/21
<b>Cabinet Member</b>	Cabinet Member for Housing
<b>Report Author</b>	Chief Officer, (Community & Enterprise)
<b>Type of Report</b>	Strategic

### EXECUTIVE SUMMARY

This report updates the Committee on the second full year of operation of North East Wales (NEW) Homes and the progress it has made against the 2015/20 Business Plan and Growth Strategy.

The report details progress and performance against projections made to increase its housing portfolio, through Section 106 properties, Strategic Housing And Regeneration Programme (SHARP) and financial borrowing,

It also provides analysis of the properties within its management and Over 55's housing offer, along with recent impact of the Rent Smart Wales scheme.

Finally, it will provide information on a projected operating surplus of £33K for 2015/16.

### RECOMMENDATIONS

1	<p>Community and Enterprise Overview and Scrutiny Committee are asked to consider and give their views on;</p> <ul style="list-style-type: none"> <li>• Progress made by NEW Homes to date against its Business Plan</li> <li>• NEW Homes future Growth Strategy projections and proposals.</li> </ul>
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## **REPORT DETAILS**

<b>1.00</b>	<b>BACKGROUND</b>
1.01	This report updates the Community and Enterprise Scrutiny Committee on the second full year of operation of North East Wales Homes (NEW) Homes and progress made against the Business Plan and Growth Strategy 2015/20.
1.02	<p>North East Wales Homes begun trading on the 3rd April 2014. The company has the following agreed Corporate Objectives:</p> <ul style="list-style-type: none"><li>• To increase the range of housing options for the “squeezed middle” housing market;</li><li>• To provide a competitive offer to landlords to encourage growth of the private rented sector;</li><li>• To use the income derived from Company assets and activity to help meet the need for affordable housing;</li><li>• To increase access to affordable housing;</li><li>• To provide a professional service with financial stability for NEW homes;</li></ul>
<b>1.03</b>	<b>NEW Homes Governance</b>
1.04	NEW Homes has been set up as a company limited by shares with unlimited powers. The Council is the sole shareholder. The Board is currently made up of 8 Directors consisting of 5 Elected Members, 1 Council Officer and 3 Independent Members with equal voting rights.
1.05	The role of the Board to date has been to oversee operational and financial development against the three year business plan, oversee the development of all policies and procedures, set the marketing and promotion strategy and develop a longer term growth strategy to fulfil the mission as laid out in the business plan.
<b>1.06</b>	<b>NEW Homes Business Plan and Growth Strategy 2015/20</b>
1.07	Following approval by the NEW Homes Board in May 2015, the proposals and projections made in the Business Plan and Growth Strategy 2015/20 were presented to the Community and Enterprise Committee in June 2015 for consideration and assurance prior to Cabinet approval in June 2015.
1.08	The Business Plan and Growth Strategy 2015/20 (Appendix 1) 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 has been approved by NEW Homes Board as a strategic planning document 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, and any property acquired through borrowing against existing assets. Twice yearly monitoring of NEW Homes progress against its business plan is undertaken by the Community and Enterprise scrutiny Committee.																									
1.09	NEW Homes currently does not employ its own staff so council staff have worked to set up and deliver the operational functions including the property management, repairs, marketing and financial and legal functions. The council recharges the company for this staff time.																									
1.10	<b>Considerations</b>																									
1.11	The most recent Operational and Financial updates are attached at Appendix 2a and 2b respectively. These show the progress of the three main portfolio areas against the projections in the Business Plan.																									
1.12	<b>New-Build Properties secured through Section 106 Agreement</b>																									
1.13	<p>During 2015/16 NEW Homes received 6 new build properties from developers meeting their affordable housing provision obligations through Section 106 Agreements. These units were transferred into the company as unencumbered assets to be let as affordable housing. Currently NEW Homes has 21 units under this portfolio and this forms a profitable element of the company's stock portfolio. A further 10 are due during 2016 and detailed below.</p> <table border="1"> <thead> <tr> <th>Location</th> <th>Developer</th> <th>House Type</th> <th>Original Projected Transfer Date</th> <th>Actual / Pending Transfer Date</th> </tr> </thead> <tbody> <tr> <td>St Mary's Drive, Northop Hall</td> <td>Anwyl</td> <td>3 x 2 Bed Houses</td> <td>February 2016</td> <td>June 2016</td> </tr> <tr> <td>High Street, Saltney</td> <td>Edwards Homes</td> <td>4 x 2 Bed Houses</td> <td>March 2016</td> <td>November 2016</td> </tr> <tr> <td>Cymau Lane, Abermorddu</td> <td>Anwyl</td> <td>3 x 2 Bed Houses</td> <td>June 2016</td> <td>June 2016</td> </tr> <tr> <td>Total</td> <td></td> <td>10</td> <td></td> <td></td> </tr> </tbody> </table>	Location	Developer	House Type	Original Projected Transfer Date	Actual / Pending Transfer Date	St Mary's Drive, Northop Hall	Anwyl	3 x 2 Bed Houses	February 2016	June 2016	High Street, Saltney	Edwards Homes	4 x 2 Bed Houses	March 2016	November 2016	Cymau Lane, Abermorddu	Anwyl	3 x 2 Bed Houses	June 2016	June 2016	Total		10		
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1.14	Members will note the transfer of properties at High Street, Saltney have been delayed until November 2016. There is a tendency for developers to delay the affordable housing provision until the last part of the scheme. This is understandable to some extent, as this enables the developer to generate the necessary funds to subsidise the affordable housing provision. NEW Homes has been powerless to influence the handover of																									

	these properties which can create difficulties for NEW Homes to develop meaningful business planning projections.																
1.15	<p>More recently however, NEW Homes is working closely with private developers and Planning colleagues at scheme development and pre-planning approval stage to influence when any “gifted” properties will be coming forward on future schemes, and to undertake detailed site and options appraisal works, legal searches and to confirm required mix of housing.</p> <p>The involvement of legal colleagues is important at an early stage to identify any potential long-term maintenance issues which NEW Homes will wish to avoid wherever possible e.g. Street lighting, adoption of roads and footpaths, easements etc.</p>																
1.16	Another positive development is the adoption of the Cabinet-approved Flintshire House Standard for all Section 106 properties. This provides developers with guidance on expected standards and specifications for all new properties to be delivered through this route. The Housing Standard forms a benchmark to ensure consistent, good quality of internal layout, and fixtures and fittings, high standards of energy efficiency and external appearance in keeping with local circumstance, low maintenance product specifications, adequate parking and a public realm designed to promote cohesive and inclusive communities.																
1.17	<b>Strategic Housing And Regeneration Programme (SHARP)</b>																
1.18	The number of affordable homes managed by NEW Homes will continue to grow in future years through Flintshire’s Strategic Housing And Regeneration Programme (SHARP).																
1.19	<p>The first of these properties are proposed for The Walks, Flint which will see 62 affordable properties being built on the site of the former council maisonettes as part of a joint development with the Council. The proposed property mix is below:</p> <table border="1" data-bbox="560 1489 1117 1834"> <thead> <tr> <th colspan="2">Mix and tenure</th> </tr> <tr> <th>Council</th> <th>Affordable</th> </tr> </thead> <tbody> <tr> <td>4</td> <td>6</td> </tr> <tr> <td>2</td> <td>18</td> </tr> <tr> <td>18</td> <td>23</td> </tr> <tr> <td>6</td> <td>15</td> </tr> <tr> <td><b>30</b></td> <td><b>62</b></td> </tr> <tr> <td></td> <td></td> </tr> </tbody> </table>	Mix and tenure		Council	Affordable	4	6	2	18	18	23	6	15	<b>30</b>	<b>62</b>		
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1.20	The Council properties will be managed within the Housing Revenue Account (HRA), whilst the affordable properties will be managed by NEW Homes. A joint management strategy for the scheme will be developed between the Council’s Housing Management Team and NEW Homes to ensure that robust working practices are in place for the allocation, tenancy management and repairs services to all residents living on the scheme moving forward.																

1.21	Detailed information on scheme design, layout, costs, funding and management arrangements will be presented to the Community And Enterprise Committee in late April 2016, prior to Cabinet consideration in May 2016.
1.22	<b>Private Borrowing</b>
1.23	During the last twelve months NEW Homes has been exploring opportunities for it to borrow against unencumbered assets either from the private market directly or from the council, to grow its stock in ownership and management. This includes potentially developing proposals to purchase Section 106 properties where there is a proven demand.
1.24	Advice has been taken from Warrington Borough Council which has been lending to Housing Associations for housing development for some time. It is possible that the Council may be able to follow Warrington's example and lend to NEW Homes, creating a return for the Council and a boost to the local economy whilst also providing NEW Homes with the capacity to grow and meet housing need.
1.25	It is projected that 8 properties will be realised through private borrowing during 2016/17.
1.26	<b>Management Offer</b>
1.27	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 all the functions of the landlord in return for a one off £195 sign-up fee and a 10% of rental income monthly management fee (subject to annual review). NEW Homes has grown this portfolio to 34 properties to date.
1.28	<b>Rent Smart Wales Scheme</b>
1.29	Since 23 November 2015, all landlords operating in Wales must become registered. Rent Smart Wales is a new compulsory licensing and registration scheme for landlords. The new scheme requires landlords to register their properties, and if a landlord wants to manage a property themselves they will need to demonstrate they are fit and proper to hold a licence and undertake training. Landlords have a year to comply with this new obligation. In order to register a landlord must provide accurate and up-to-date information about themselves and their rental properties. This new requirement comes from Part 1 of the Housing (Wales) Act 2014. With the private rental sector playing an increasingly important role in meeting housing need in Flintshire, the Rent Smart Wales scheme will, for the first time, allow local councils to fully identify all of the private rented properties within their local area.
1.30	NEW Homes has already registered as part of the scheme and is in the process of obtaining a licence from Rent Smart Wales. This is necessary in order to operate as a landlord and also as an agent on behalf of other landlords. In line with this, NEW Homes has developed its Operating Code

	to ensure its landlord and management arrangements comply with the Act (Appendix 2). The Operating Code details the principles and standards which NEW Homes will be working towards when marketing properties, agreeing a tenancy with prospective tenants including rights and obligations sets out in the tenancy agreement, repairs, rental payments and arrangements for leaving a property.
1.31	Some private landlords have approached NEW Homes for assistance with registering for the scheme and for the company to potentially manage their properties on their behalf.
1.32	<b>Over 55s Scheme</b>
1.33	The Over 55 Lease Scheme enables an elderly home owner to lease their property to NEW Homes and access more suitable council accommodation. The development of this package has been slow to date due to legal complexities initially and agreeing processes relating to the allocation of Flintshire Council properties. Currently there is only one property within this portfolio – despite a high level of interest being shown amongst older residents.
1.34	A review of the scheme will commence in May 2016. This will include: <ul style="list-style-type: none"> <li>• Researching other schemes across England and Wales and looking at how these operate – in particular how they resolve the issue with access to Social Housing;</li> <li>• Speaking with older people to understand what their concerns are to help break down real and perceived barriers to the scheme; and</li> <li>• Developing a comprehensive marketing strategy specifically designed to reach Flintshire’s older community.</li> </ul>
1.35	<b>New Products</b>
1.36	Focus is also being given upon developing new products and services to both potential future landlords and tenants alike. These include the development of different management packages, tenant selection service and property maintenance services for private landlords.

<b>2.00</b>	<b>RESOURCE IMPLICATIONS</b>
2.01	Appendix 2a provides a Financial Report on NEW Homes which details the company’s Income and Expenditure Account projecting a surplus of £33K as at February 2016.
2.02	This builds on the surplus of £19K generated during 2014/15.

<b>3.00</b>	<b>CONSULTATIONS REQUIRED / CARRIED OUT</b>
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3.01	None.
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<b>4.00</b>	<b>RISK MANAGEMENT</b>
4.01	A Strategic Risk Register is currently being developed for NEW Homes and is due to be presented to Board on 22 July 2016. This will outline all possible risks to NEW Homes and what mitigating action has been taken to reduce the likelihood and impact of these on the business.

<b>5.00</b>	<b>APPENDICES</b>
5.01	Appendix A – NEW Homes Business Plan & Growth Strategy 2015/20
5.02	Appendix 2a and 2b – NEW Homes Financial and Operational Plan
5.03	Appendix 3 – NEW Homes Operating Code

<b>6.00</b>	<b>LIST OF ACCESSIBLE BACKGROUND DOCUMENTS</b>
6.01	None  <b>Contact Officer:</b> Melville Evans – Housing Programmes Manager <b>Telephone:</b> 01352 701436 <b>E-mail:</b> Melville.evans@flintshire.gov.uk

<b>7.00</b>	<b>GLOSSARY OF TERMS</b>
7.01	<b>North East Wales Homes, (NEW Homes)</b> 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 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.
7.02	<b>Section 106 Planning Agreement</b> - Properties from developers meeting their affordable housing provision obligations through Section 106 Agreements. The purpose of these agreement is to ensure that the homes go to local people most in need of affordable housing, and the rents or prices are affordable, and remain so in the future.
7.03	<b>Strategic Housing And Regeneration Programme (SHARP)</b> Flintshire County Council House Building Programme which will build 500 new homes (200 Council) and 300 (affordable) new properties across the Council during the next five years.
7.04	<b>Rent Smart Wales</b> - All landlords operating in Wales must become

	<p>registered. Rent Smart Wales is a new compulsory licensing and registration scheme for landlords in Wales. The new scheme requires landlords to also register their properties, and if a landlord wants to manage a property themselves they will need to demonstrate they are fit and proper to hold a licence and undertake training.</p>
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