

FLINTSHIRE COUNTY COUNCIL

REPORT TO: **CABINET**

DATE: **TUESDAY, 13 MAY 2014**

REPORT BY: **HEAD OF LEGAL AND DEMOCRATIC SERVICES
AND HEAD OF HOUSING**

SUBJECT: **UPDATE ON THE ESTABLISHMENT OF A HOUSING
COMPANY**

1.00 PURPOSE OF REPORT

1.01 To update Members on the progress made in establishing a housing company, North East Wales Homes, and to seek approval for the transfer of future “gifted” units to the company directly from developers.

2.00 BACKGROUND

2.01 At its meeting on 19 December Cabinet approved the establishment of a housing company and gave delegated authority to officers to take all necessary steps to set that company up. Good progress has been made and the company has now been incorporated (i.e. the company has been created and registered at Companies House). This report outlines the steps that have been taken.

2.02 The Council has been given 10 units of housing under two Section 106 agreements for affordable housing in perpetuity. Those properties were transferred to the Council in two tranches, the first in September 2013 and the second in January 2014. They have subsequently been transferred to the company under the delegated authority granted in December. In future it would be more efficient if any such properties that are to be given to the company are transferred directly to it. This is explained in more detail below.

2.03 Welsh Government has been supportive of the move to establish a company. It has supplied the Council with free consultancy services from someone experienced in the establishment of local authority companies. It has also been very supportive in granting the necessary consents to transfer properties to the company.

3.00 CONSIDERATIONS

3.01 The company was incorporated on 3 April 2014. It was agreed that there would be 5 councillors, 1 officer and 1 external person as directors. So far Councillors Alex Aldridge, Bernie Attridge, Gareth

Roberts and Tony Sharps have been appointed as directors. Katie Davis has been appointed as the council officer director.

- 3.02 Initially, it was anticipated that there would be one independent director. However, our independent expert solicitors recommended that two independent directors should be appointed which is the minimum quorum for a board. In the event that all County Council directors needed to declare an interest then the board would still be able to function.
- 3.03 The Council advertised for independent directors and received 8 applications. Following shortlisting by the Head of Housing and the Head of Legal & Democratic Services 3 candidates were interviewed on 17 April by a panel consisting of Councillors Bernie Attridge and Helen Brown plus the Head of Housing and the Head of Legal & Democratic Services. The panel unanimously recommended Jan Lycett and Paul Humphries for the two positions of Independent Director and they have now been appointed under the delegated authority given in December.
- 3.04 Arrangements have been made to ensure that the Board receives appropriate professional advice. During the first year of its existence when there will be a lot of work establishing the company's infrastructure, it will receive financial advice from the Finance Manager, Community Services. In addition, the County Council will act as a corporate company secretary and one of the solicitors from the Corporate Work Group in the Litigation Team will undertake that role. As outlined in the December report the company will need to appoint its own professional advisors in certain circumstances (where there is a conflict of interest) and arrangements will be made for this at the meeting of the company's board.
- 3.05 The practical arrangements for establishing the company are also progressing. The company will not initially employ staff and will purchase the necessary services from Flintshire County Council. A service level agreement has been established which has set out the operational arrangements and the roles of both organisations.

A separate bank account has been set up and financial processes are now in place. The company will use a stand alone financial system alongside a lettings management software package which will enable the company to keep its financial data separate to the Council and on a system more suited to it's size. All the necessary procedures and legal documents have been developed and are in place.

The company's web site has also been set up via a host server and it has a dedicated telephone line and email address. The company is therefore ready for business as soon as the first Board meeting takes place.

- 3.06 The company's initial 3 year business plan has been approved under delegated powers as authorised by Cabinet in December 13.

It is the intention for the company to soft launch to a limited audience and initially sign up landlords who are already on our list of potential customers via our market testing and landlord forums. This will enable the company to gather data on the products acceptance in the market place, fine tune the products and react to customer demands quickly and effectively. The soft launch will also include letting the gifted units and inviting landlords currently looking at working in partnership with the Council to let through the company.

THE LANDLORD PACKAGES

As part of this gradual development of portfolio products, the company is starting with two initial landlord offers.

The first will utilise the experience and expertise of the Council as a trusted provider with the company managing and letting a property on behalf of a landlord who owns property through a management agreement

This product will enable the company to carry out 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 which will be subject to annual review.

The second landlord offer provides a unique opportunity for home owners over 55 to lease their properties to the company, who will fully manage the property and guarantee the rental income for a fixed 25% of rental income monthly fee and also points to enable access to suitable council accommodation at the same priority as someone who does not own a property. This offer recognises the barriers home owners can face accessing suitable council accommodation designated for older people as they receive insufficient priority on the Council's waiting list, as they own an asset.

Officers have used existing contacts to start generating business. So far sixteen landlords have expressed an interest in using the services of the company. Four property appraisals have been carried out and all of those have been suitable to sign up to one of the landlord packages.

4.00 GIFTED UNITS

- 4.01 The Council has been given 10 units of affordable housing in Penyffordd under two section 106 agreements. They were transferred to the Council before the company was incorporated. Using the delegated authority granted by Cabinet in December to establish the company in accordance with its business plan, officers have, (at the

time of writing), put in place arrangements to transfer those properties to the company. Those properties will have been transferred by the date of the meeting.

4.02 The Council will continue to receive such properties from developers in the future. Rather than undertake two sets of legal transfers (one from the developer to the Council and one from the Council to the company) it would be more efficient if such properties could be transferred directly to the company where that is deemed appropriate. This will save work and legal fees (eg. registration of title). More importantly, it will save time and will enable the units to be brought into occupation more quickly. It is not anticipated that every such property would be transferred to the company and therefore it is recommended that where appropriate for properties to be given to the company that is decided by the Head of Housing in consultation with the Cabinet Member for Housing.

4.03 A nomination agreement will be developed between Flintshire County Council and the company which will set out the arrangements for letting these properties. The agreement will provide full nomination rights to Flintshire County Council. This will ensure that these properties are let to people prioritised for affordable housing by Flintshire County Council.

5.00 RECOMMENDATIONS

5.01 That Cabinet notes the progress and endorses the actions taken to establish the Housing company.

5.02 That Cabinet delegates authority to the Head of Housing in consultation with the Cabinet Member for Housing to decide which of any future gifted units should be transferred directly to the company by developers.

5.03 That Cabinet approve that a nomination agreement be developed between the council and the company, providing 100% nomination rights for all lettings.

6.00 FINANCIAL IMPLICATIONS

6.01 The initial set up costs to date are £4,000 including costs for software, web site, e-mail hosting and membership of a tenant deposit scheme. The set-up loan assumed within the business plan is for £100,000 to be transferred to the company from the council, for cash flow purposes at the start of trading. This loan will incur an interest charge, which will provide a return on investment to the council. .

7.00 ANTI POVERTY IMPACT

7.01 None directly arising from this report.

8.00 ENVIRONMENTAL IMPACT

8.01 None directly arising from this report.

9.00 EQUALITIES IMPACT

9.01 The purpose for establishing the company was to help those people that would not have otherwise qualified for social housing or who are unable to afford private rents as well as to give options to older residents. It is therefore promoting access to good quality and suitable housing across all sectors of the population.

10.00 PERSONNEL IMPLICATIONS

10.01 None arising directly from the report.

11.00 CONSULTATION REQUIRED

11.01 None as a result of this report.

12.00 CONSULTATION UNDERTAKEN

12.01 None as a result of this report.

13.00 APPENDICES

13.01 None

**LOCAL GOVERNMENT (ACCESS TO INFORMATION ACT) 1985
BACKGROUND DOCUMENTS**

As referred to in the report.

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