

FLINTSHIRE COUNTY COUNCIL

REPORT TO: **HOUSING OVERVIEW & SCRUTINY COMMITTEE**

DATE: **WEDNESDAY, 26 NOVEMBER 2014**

REPORT BY: **CHIEF OFFICER (COMMUNITY & ENTERPRISE)**

SUBJECT: **NORTH EAST WALES HOMES - UPDATE**

1.00 **PURPOSE OF REPORT**

1.01 To update the committee on the progress made in establishing North East Wales (NEW) Homes and progress to date against the business plan.

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.

2.02 The company was created to overcome the barriers the Local Authority faced in meeting housing need locally, due to the current statutory limitations on Local Authorities which do not allow them to grant assured short hold tenancies or have sufficient flexibility in setting rent levels. These limitations proved a constraint for Flintshire in a number of areas including the management of the properties gifted through section 106 agreements, management of empty homes and the regeneration schemes. The company also provided an opportunity to provide a competitive offer to landlords to encourage growth of the private rented sector.

2.03 The company started trading on 3rd April 2014. The Board is made up of 8 directors consisting of 5 councillors, 1 council officer and 2 independent members (who have experience in the housing field) and has met four times. The role of the Board to date has been to oversee operational delivery and financial performance 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 strategy to fulfil the mission as laid out in the business plan.

2.04 NEW Homes does not employ its own staff, council staff work on the operational functions including property management, repairs, marketing and financial and legal functions. The council recharges the company for this staff time.

3.00 CONSIDERATIONS

Operational Update

- 3.01 Flintshire is the first Local Authority in Wales to set up a housing company. This innovative approach to respond to the challenges experienced by residents in accessing affordable housing has been recognised and the Flintshire initiative has been shortlisted for a Welsh Housing Award. The Minister for Communities and Tackling Poverty has also responded to an invite to come and learn about the company and visit one of the affordable new build properties.
- 3.02 The most recent operational update is attached at appendix one. This shows the progress of the three main portfolio areas against the projections in the business plan for year one. In summary the company is expected to make a surplus in year 1 though not as large as originally anticipated. The business plan projected 19 new build “gifted” properties in 2014/15. The company has taken ownership and is managing 15 with another five due to be handed over in March 2015. Some of the properties were let later in the year than originally expected and this has created a negative variance in the projected income for year one.
- 3.03 The company has also launched a landlord management offer. The business plan projected that the company would be managing 26 units by the end of 2014/15. The company has entered into management agreements for nine properties which is below target. There has been little marketing early on and staff time has been spent on set up, so it is expected these numbers will grow in the next six months. There are a number of pipeline properties due to be signed up.
- 3.04 The Over 55 Lease Scheme is the third portfolio area which 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 slower due to legal complexities relating to the allocation of council properties. These are now resolved and there are two home owners waiting to take advantage of this opportunity.
- 3.05 The marketing and promotion of the company has been low key to date while the company has been in development and testing the portfolio offers.
- 3.06 All landlords known to the Council have recently received a letter advising them of the services of the company. Some elected members have promoted the company in their community newsletter. The free press, the council’s website and infonet have

been utilised to promote the company.

- 3.07 Twitter and social media has been used to raise the profile of the company. Articles have been published in Welsh Housing Quarterly and in the Flintshire Business Week Magazine. The company has also been shortlisted for an award in the Chartered Institute of Housing Welsh Housing Awards.
- 3.08 For customers, Grwp Cynefin manage the affordable housing register for the county and they have been marketing the gifted homes via their website. The council's Housing Options team nominate prospective tenants to the company for the managed units.
- 3.09 Property sign boards have been produced and are being utilised. Leaflets have been produced and are being displayed at Connects centres etc.
- 3.10 **Future Development**
- 3.11 At its most recent board meeting the company agreed to a broader approach to the rents charged for managed units. This will allow greater flexibility to negotiate with landlords, while still maintaining the company's core objective to meet the needs of the "squeezed middle" and provide affordable accommodation. There has been a small number of cases where landlords have decided not to work with the company because they have felt that the rent they were being offered was insufficient for a particular property in a particular location.
- 3.12 As any new business would do after its first six months of trading, the board has agreed to hold a facilitated away day to review its business plan and financial targets/goals early in the New Year.
- 3.13 Future plans for promotion of the company include the development of a marketing strategy. This will include reviewing and updating of the website so that it can be used to market properties and services much better and with enhanced customer features. Advertising on the side of council vehicles is being considered, alongside the production of sales brochures, which show site layouts, property features etc. Finally, a policy on event and individual sponsorship is being prepared.
- 3.14 Customer feedback mechanisms are being developed so that the company can ensure that it delivers excellent customer service and can change and shape its service provision to meet customer need and aspiration.
- 3.15 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). The background to the Programme is that the County Council is currently tendering for a developer partner and funder for the development of circa 300 homes on council fund and HRA land over a 5 year plus period. The new homes will be a mixture of housing for social rent, affordable rent, market rent and a range of, for sale property. With the exception of the social rented homes which will be managed by the council, NEW Homes could manage the rented homes, any shared ownership or shared equity homes; and needs to enter into dialogue with the council to negotiate this as part of the procurement process. NEW Homes will want to have a stake in the decisions around quality of homes built, locations, rent levels etc. This could present an exciting opportunity for considerable growth for the company which could see it ultimately owning some of these homes should it wish.

- 3.16 In conclusion the first six months has been successful if a little slower than anticipated. The company is expecting to create a positive return in its first year of trading and further updates will be brought to the committee in due course.

4.00 RECOMMENDATIONS

- 4.01 Committee notes the progress to establish and set up the company, and the first six months performance.
- 4.02 Committee notes the future development plans of the company

5.00 FINANCIAL IMPLICATIONS

- 5.01 The initial set up costs were £4,000 including costs for software, website, email hosting and membership of tenant deposit scheme.
- 5.02 In the business plan NEW Homes anticipated income of £112k for all gifted units. The delay of transferring the gifted properties to NEW Homes has created a shortfall in year of £56k. The net impact of this has resulted in a reduced profit of £28k for the year.
- 5.03 All projected expenditure costs are in line with the Flintshire County Council Service Level Agreement and as anticipated in the business plan.
- 5.04 The set up loan agreed within the business plan was for £100k to be transferred to the company for cash flow purposes at the start of trading at an interest rate of 1.83 % APR.
- 5.05 The loan has been agreed to be split into 4 x £25k amounts and drawn down as needed. The first £25k was transferred on 12th August 2014. This will be repaid over 3 years with payments made every 6 months.

6.00 ANTI POVERTY IMPACT

7.01 None directly arising from this report.

7.00 ENVIRONMENTAL IMPACT

8.01 None directly arising from this report.

8.00 EQUALITIES IMPACT

8.01 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.

9.00 PERSONNEL IMPLICATIONS

9.01 None arising directly from the report.

10.00 CONSULTATION REQUIRED

10.01 None as a result of this report.

11.00 CONSULTATION UNDERTAKEN

11.01 None as a result of this report.

12.00 APPENDICES

12.01 Appendix 1- Operational update

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

As referred to in the report.

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