

FLINTSHIRE COUNTY COUNCIL

REPORT TO: **COMMUNITY AND ENTERPRISE SCRUTINY**

DATE: **1ST JUNE 2015**

REPORT BY: **CHIEF OFFICER, COMMUNITY & ENTERPRISE**

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

1.00 PURPOSE OF REPORT

1.01 To update the committee on North East Wales Homes (NEW Homes) first full year of operation and progress made against the Business Plan.

2.00 BACKGROUND

2.01 North East Wales Homes started trading on 3rd April 2014. The company has the following agreed mission objectives:

- To increase the range of housing options for the “squeezed middle” housing market.
- To build a portfolio of affordable properties to rent in Flintshire.
- To provide a competitive offer to landlords to encourage growth of the private rented sector.
- To use the income derived from our assets to help subsidise the affordable offer to tenants.
- To build an asset base to enable a long term vision of building future affordable homes.
- To stay true to our commitment to increase access to affordable housing.
- To provide a professional service with financial stability.

2.02 The strategic and operational activities undertaken by NEW Homes is governed by a Board of eight Directors consisting of 5 Elected Members, 1 council officer and 2 independent members who have experience in the housing field. 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.

2.03 NEW Homes 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.

**3.00 CONSIDERATIONS
OPERATIONAL UPDATE**

3.01 The most recent operational update is attached at Appendix 1. This shows the progress of the three main portfolio areas against the projections in the Business Plan

3.02 New-Build Properties secured through Section 106 Agreement

The NEW Homes Business plan projected 19 new build properties in 2014/15 from developers meeting their affordable housing provision obligations through Section 106 Agreements. These units are transferred into the company as unencumbered assets to be let as affordable housing and form a profitable element of the company's stock portfolio. Appendix 1 shows the company has taken ownership and is currently managing 15 of these properties.

The table below describes the pipeline of future agreed properties.

Location	Developer	Housetype	Original Projected Transfer Date	Revised Projected Transfer Date
St Mary's Drive, Northop Hall	Anwyl	4 x 3 Bed Houses	June 2015	June 2015
St Mary's Drive, Northop Hall	Anwyl	3 x 2 Bed Houses	February 2016	February 2016
Overleigh Drive, Hawarden	Redrow	1 x 2 Bed House	July 2015	December 2015
Overleigh Drive, Hawarden	Redrow	3 x 3 Bed Houses	July 2015	December 2015
High Street, Saltney	Edwards Homes	4 x 2 Bed Houses	March 2016	March 2016
Cymau Lane, Abermorddu	Anwyl	3 X 2 Bed Houses	N/A	TBC

3.03 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.

- 3.04 However, this delay creates difficulties for NEW Homes to develop meaningful business planning projections, and limits the company's capacity to grow and develop new housing opportunities.
- 3.05 Equally, it has proved difficult for NEW Homes to influence both the siting, floor dimensions and specification of properties initially secured through Section 106 Agreements. Poor siting of properties from a NEW Homes perspective can affect both the attractiveness of the scheme to tenants owing to their often peripheral location, and also its ability to borrow against these assets if sited on easements or similar site issues.
- 3.06 Some developers have been more receptive to adopt some of the specification standards requested by NEW Homes recently, despite no obligation for them to do so as the Section 106 Agreement has already been agreed with the Council. NEW Homes will continue to adopt a proactive approach with all developers with approved schemes already in place.

3.07 Management Offer

- 3.08 NEW Homes 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 signed up nine properties to date. 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.

3.09 Over 55 Lease Scheme

- 3.10 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 developed slowly due to some legal complexities relating to the allocation of Council properties. These are now resolved and there is an expectancy that home owners will want to take advantage of this opportunity.

3.11 NEW Homes Future Growth Strategy

- 3.12 The Board of NEW Homes held an Away Day on 30 January 2015 which established a number of new priorities in addition to those already assumed in the Business Plan. These included the development of a robust growth strategy through the Council's Strategic Housing and Regeneration Programme (SHARP) and through direct private borrowing.

- 3.13 This has also included reviewing its existing management offer. Analysis of the income and costs related to managing NEW Homes own new-build stock to that of managing stock for other landlords has been undertaken. As you would expect managing unencumbered assets is highly profitable compared to earning a management fee for managing stock owned by a landlord.

3.14 Strategic Housing and Regeneration Programme (SHARP)

- 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). A projected total of 193 units will be under NEW Homes management between January 2016 - December 2019.

- 3.16 Running alongside the procurement has been the work of the Flintshire House Standard Task and Finish Group. The Group consists of Tenants, Elected Members and officers and is facilitated by external expertise. The group has been developing a specification for a 'Flintshire Housing Standard'. This standard will inform the design and specification of the proposed new Council, affordable rent and private, for sale housing.

- 3.17 The Housing Standard will form 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. Bidders have been consulted on the feasibility of the housing Standard during the tender process and their comments have been taken into account by the Task and Finish Group.

3.18 Private Borrowing

- 3.19 The review of the Business Plan is also exploring the opportunities available for NEW Homes to borrow. This could be from the private market directly – either through borrowing secured against its own housing stock or through unsecured borrowing, with the Council potentially acting as a guarantor, or the council could borrow and or lend to NEW Homes creating a return for the council and providing NEW Homes with the capacity to grow and meet local need.

- 3.20 To ensure that the new and existing priorities for the company are sustainable financial and wider resourcing implications will be modelled and properly presented for the Council and NEW Homes Board to review and approve.

3.21 New Products

3.22 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 and property services for private landlords.

4.00 RECOMMENDATIONS

4.01 Community and Enterprise Overview and Scrutiny Committee are asked to consider and give their views on;

- Progress made by NEW Homes to date against Business Plan projections;
- NEW Homes future Growth Strategy projections and proposals.

5.00 FINANCIAL IMPLICATIONS

5.01 NEW Homes generated a surplus of £19K during 2014/15.

6.00 ANTI POVERTY IMPACT

6.01 None directly arising from this report.

7.00 ENVIRONMENTAL IMPACT

7.01 None directly arising from this report.

8.00 EQUALITIES IMPACT

8.01 NEW Homes aims to assist the “squeezed middle” access good quality, affordable housing. This section of society often cannot access Council housing waiting list for accommodation as their income levels are too high, but are unable to access the private accommodation due to high mortgage costs.

8.02 By providing a broad range of housing products and services, NEW Homes aims to improve housing conditions for all sectors of the community – particularly vulnerable and traditionally disadvantaged groups.

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 - NEW Homes Financial and Operational Update

LOCAL GOVERNMENT (ACCESS TO INFORMATION ACT) 1985 BACKGROUND DOCUMENTS

As referred to in the report.

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