

COMMUNITY & ENTERPRISE OVERVIEW & SCRUTINY COMMITTEE

Date of Meeting	Wednesday 1 st February 2017
Report Subject	NEW Homes Business Plan 2016/21
Cabinet Member	Cabinet Member for Housing
Report Author	Chief Officer, (Community & Enterprise)
Type of Report	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 2016/21 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 £15.8k for 2016/17.

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"> • Progress made by NEW Homes to date against its Business Plan • NEW Homes future Growth Strategy projections and proposals.
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REPORT DETAILS

1.00	BACKGROUND
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 2016/21.
1.02	<p>North East Wales Homes commenced trading on the 3rd April 2014 following approval from Flintshire County Council. The company has the following agreed Strategic Objectives:</p> <ul style="list-style-type: none">• To increase the range of housing options for the “squeezed middle” housing market;• To provide a competitive offer to landlords to encourage growth of the private rented sector;• To use the income derived from Company assets and activity to help meet the need for affordable housing;• To increase access to affordable housing;• To provide a professional service with financial stability for NEW homes.
1.03	A Relationship Agreement exists between the Council and NEW Homes which details these strategic objectives and the role which the company will undertake as the Council’s approved vehicle for delivering improved housing opportunities within the private rented sector across Flintshire.
1.04	NEW Homes Governance
1.05	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.
1.06	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.
1.07	NEW Homes Business Plan and Growth Strategy 2016/21
1.08	Following approval by the NEW Homes Board in May 2015, the proposals and projections made in the Business Plan and Growth Strategy 2016/21 were presented to the Community and Enterprise Committee in June 2016 for consideration and assurance prior to Cabinet approval in June 2016.
1.08	The Business Plan and Growth Strategy 2016/21 (Appendix 1) sets out key elements of the company’s proposed Growth Plan to increase the number of affordable properties managed and owned during the lifetime of

	the Plan 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	Considerations
1.11	Appendix 2 details the Finance and Operational performance of NEW Homes and highlights the progress of the three main portfolio areas against projections made in the Business Plan.
1.12	New-Build Properties secured through Section 106 Agreement
1.13	These are new build properties which are transferred to NEW Homes from private development schemes through Section 106 Agreements as unencumbered assets and let at affordable rent levels. Currently NEW Homes has 31 units under this portfolio and this forms a profitable element of the company's stock portfolio. During 2016/17 NEW Homes received 10 Section 106 properties at Northop Hall, Abermorddu and Saltney respectively.
1.14	A further 6 are scheduled to transfer to NEW Homes during 2017/18 at Northop Hall and Ewloe respectively.
1.15	There are also currently schemes in for planning and awaiting a decision where gifted properties for NEW Homes have been requested: <ul style="list-style-type: none"> • Soughton – 4 units • Penyffordd (Chester) – 7 units • Northop – 8 units Subject to the planning decision and further discussions will take place to finalise any S106 arrangements.
1.16	Strategic Housing And Regeneration Programme (SHARP)
1.17	A key element of the NEW Homes Business Plan for the future growth of the company is the Council's Strategic Housing And Regeneration Programme (SHARP) which has identified 300 new build properties for the period January 2016 – December 2019. The first scheme will be at The Walks, Flint which will see the provision of 62 new affordable houses and apartments on the site of the former council maisonettes as part of a joint development with the Council.

1.18	<p>The proposed property mix is below:</p> <table border="1" data-bbox="560 192 1118 495"> <thead> <tr> <th colspan="2" data-bbox="560 192 1118 237">Mix and tenure</th> </tr> <tr> <th data-bbox="560 237 855 282">Council</th> <th data-bbox="855 237 1118 282">Affordable</th> </tr> </thead> <tbody> <tr> <td data-bbox="560 282 855 327">4</td> <td data-bbox="855 282 1118 327">6</td> </tr> <tr> <td data-bbox="560 327 855 371">2</td> <td data-bbox="855 327 1118 371">18</td> </tr> <tr> <td data-bbox="560 371 855 416">18</td> <td data-bbox="855 371 1118 416">23</td> </tr> <tr> <td data-bbox="560 416 855 461">6</td> <td data-bbox="855 416 1118 461">15</td> </tr> <tr> <td data-bbox="560 461 855 495">30</td> <td data-bbox="855 461 1118 495">62</td> </tr> </tbody> </table>	Mix and tenure		Council	Affordable	4	6	2	18	18	23	6	15	30	62
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1.19	<p>Following Cabinet approval in May 2016, the NEW Homes Board approved the development of 62 affordable rented properties on the site at a total scheme cost of £7.777m.</p>														
1.20	<p>The Board also agreed to enter into a capital financing loan with Flintshire County Council to fund the development; The terms of the loan will be European State Aid compliant and will ensure that the company can meet its own scheme development viability criteria and the Council's requirements for the properties to be built to the Flintshire House Standard; let at sub market rents and offered to local people for whom the Housing market has failed.</p>														
1.21	<p>The Council will earn a return on the amount it is borrowing to NEW Homes during the term of the loan, whilst also enabling NEW Homes to borrow at a lower rate than it would be able to achieve on the open market.</p>														
1.22	<p>Construction of the new properties is progressing well, with the first tranche of properties scheduled to transfer to NEW Homes in June 2017.</p>														
1.23	<p>The Council properties will be managed within the Housing Revenue Account (HRA), whilst the affordable properties will be managed by NEW Homes. A joint Local Lettings Policy is being developed between the Council's Housing Management Team and NEW Homes to ensure that Applicants with a local connection to Flint are prioritised for the scheme.</p>														
1.24	<p>Joint working arrangements are also being put in place for tenancy management and repairs services to all residents living on the scheme moving forward.</p>														
1.25	<p>Future development opportunities for NEW Homes have identified a potential 82 new properties which the company could consider for future development at a variety of sites across Flintshire subject to Council agreement and approval.</p>														
1.26	<p>Managed Lettings</p>														
1.27	<p>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.</p>														

1.28	Discussions have been on-going between the Council's Housing Options Team and NEW Homes on strengthening the working arrangements it has in place for these properties. The managed units are of strategic importance to the Council to raise standards in the private rented sector as a whole, and providing increased housing opportunities for the "squeezed middle" who experience affordability issues when trying to access the private rented sector. These affordability issues will be compounded with the roll out of Universal Credit.
1.29	In order to enable New Homes to continue supporting the Council's strategic priority of increasing the number of good quality affordable housing in Flintshire, it is proposed that providing the managed units will form a commissioned contract from the Council from April 2017.
1.30	Over 55's Offer
1.31	The Over 55 Lease Scheme enables an elderly home owner to lease their property to NEW Homes and access more suitable council accommodation. This package has developed slowly 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 applicants.
1.32	At the NEW Homes Board Away Day in September 2016 there was agreement to review the details for this product and arrangements are being put in place to undertake consultation with local stakeholder groups which represent older persons, including Age Concern. Local estate agents are also being consulted to better understand house market conditions and the options available to older people wishing to downsize their properties. Finally, the Council's Allocations Policy will be reviewed to determine whether greater flexibility is required to ensure older persons requirements can be met.
1.33	Rent Smart Wales Scheme
1.34	Since 23 November 2015, all landlords operating in Wales must be registered. Rent Smart Wales is a new compulsory licensing and registration scheme for landlords. The 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 have to undertake training. 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.
1.35	NEW Homes has registered and has obtained a licence as part of the scheme. Three members of staff have been on the Rent Smart Wales Training for letting agents and have received certificates for this. This is necessary in order to operate as a landlord and also as an agent on behalf of other landlords. NEW Homes has developed its Operating Code to ensure its landlord and management arrangements comply with the Act. 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.
1.36	During the end of 2016 and beginning of 2017 NEW Homes has seen an increase in contact by landlords for assistance with registering and also for advice on NEW Homes managing property on their behalf.

2.00	RESOURCE IMPLICATIONS
2.01	Appendix 2 provides an Operational and Financial Report on NEW Homes which details the company's Income and Expenditure Account projecting a surplus of £15.8K as at January 2017.
2.02	This builds on the surplus of £34K generated during 2015/16.

3.00	CONSULTATIONS REQUIRED / CARRIED OUT
3.01	None.

4.00	RISK MANAGEMENT
4.01	A Strategic and Operational Risk Register has been developed for NEW Homes and is presented to Board at 6 weekly meetings. This outlines all possible risks to NEW Homes and what mitigating action has been taken to reduce the likelihood and impact of these on the business.
4.02	A Risk Register for The Walks, Flint has also been developed and regularly monitored by NEW Homes Board.

5.00	APPENDICES
5.01	Appendix 1 – NEW Homes Business Plan & Growth Strategy 2016/21.
5.02	Appendix 2 – NEW Homes Operational and Financial Plan

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

7.00	GLOSSARY OF TERMS
7.01	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 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	Section 106 Planning Agreement - 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	Strategic Housing And Regeneration Programme (SHARP) 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	Rent Smart Wales - All landlords operating in Wales must become 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.