

## COMMUNITY AND ENTERPRISE OVERVIEW & SCRUTINY COMMITTEE

<b>Date of Meeting</b>	Wednesday 27 June 2018
<b>Report Subject</b>	North East Wales (NEW) Homes Business Plan 2018/2027
<b>Cabinet Member</b>	Deputy Leader of the Council and Cabinet Member for Housing
<b>Report Author</b>	Chief Officer Housing and Assets
<b>Type of Report</b>	Strategic

### EXECUTIVE SUMMARY

This report presents the NEW Homes Business Plan 2018/2027 following Cabinet approval in May 2018. The report also details the process for the approval of new lending to NEW Homes for the development or purchase of affordable homes in Flintshire.

The business plan 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 at its Board meeting on the 12<sup>th</sup> March 2018; subject to ongoing scheme by scheme final approval and validation of financial appraisals by the company's Board and the Council's Corporate Finance Manager in consultation with the Leader of the Council, Cabinet Member for Finance.

This includes new homes to be developed via the SHARP programme, Section 106 properties and potential properties acquired through borrowing against existing assets.

### RECOMMENDATIONS

1	Scrutiny to note the NEW Homes Business Plan 2018/2027.
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## REPORT DETAILS

<b>1.00</b>	<b>Background</b>
1.01	North East Wales Homes, (NEW Homes) is a Housing company based in Flintshire and owned by Flintshire County Council. It began trading in April 2014. NEW Homes owns, leases and manages properties across Flintshire. The company was established to increase the quantity and quality of affordable housing available in Flintshire; increasing housing choice for those who may not qualify for social housing but for whom market housing is unaffordable or difficult to access.
1.02	In addition NEW Homes provides a professional service to landlords acting as a managing agent as a means of increasing the supply of quality affordable housing.
1.03	The business plan identifies ongoing annual surpluses and mutually agreed amounts returned to the Council at agreed intervals for reinvestment in the Council's housing priorities. The Business Plan is included as a confidential appendix (Appendix 1) within this agenda.
1.04	The Board of NEW Homes held an Away Day in November 2017 to review the development of the company and progress made against the original business plan objectives and targets. A range of ideas and plans emerged from this session and after further analysis and development work over a six month period this was developed into a revised business plan for NEW Homes.
1.05	This work has been supported by independent expertise and challenge; and after detailed consideration and risk analysis was approved by NEW Homes Board on the 12 March 2018 as an achievable and sustainable plan for growth over the next ten years.
1.06	As part of this process, the Board reviewed progress of the three main portfolio areas against the projections made in the original Business Plan.
1.07	<b>Strategic Housing And Regeneration Programme (SHARP)</b>
1.08	The business plan includes the Walks scheme, Flint a new build scheme of 62 affordable houses and apartments. The capital funding will be provided by the council in the form of a 45 year annuity loan. The Scheme was completed in April 2018.
1.09	Proposals are being developed for a further 39 properties being delivered through the SHARP and financial assumptions for these properties have now been included in Appendix 1, in the confidential appendix.
1.10	In order to streamline the process potential schemes for NEW Homes will be submitted to the NEW Homes Board as well as the Councils Corporate Finance Manager in consultation with the Leader of the Council and Cabinet Member for Finance for funding and scheme approval. In adopting this process NEW Homes board can be assured that funding approval is in place

	<p>and in line with the scheme being considered.</p> <p>Each scheme proposal will need to meet certain financial parameters prior to any sign off from the Corporate Finance Manager and Leader of the Council and Cabinet Member for Finance. These are detailed in Appendix 2 and are intended to ensure the following:-</p> <ul style="list-style-type: none"> <li>• Scheme is modelled and pays back within 45 years.</li> <li>• Meets state aid criteria.</li> <li>• Provides a return to the Council.</li> <li>• Any grant funding is secured prior to approval.</li> </ul>
1.11	<b>Section 106 Units</b>
1.12	NEW Homes currently has 37 Section 106 units and are anticipating to receive a further 28 homes over the next 5 years (total 65) from developers meeting their affordable housing provision obligations through Section 106 Agreements.
1.13	These properties are transferred to the company as “unencumbered assets”. The positive working relationship which has evolved between the Council, NEW Homes and construction partners through the development of this product has facilitated the rapid delivery of a high quality product in communities where the availability of Affordable Rent properties has enabled local people to remain within their own local communities.
1.14	<b>Managed Lettings</b>
1.15	NEW Homes manages and lets property on behalf of landlords who own property, it currently does this through a management agreement. This ‘product’ enables the company to take on all the functions of the private landlord in return for a one off £195.00 sign-up fee. NEW Homes set rent levels at 10% below market level to ensure affordability and also charge the landlord a 10% management fee which is subject to annual review. The Business Plan includes 31 properties within the management portfolio.
1.16	Growth in relation to its managed lettings offer has been slow in 2017/18 and with the emergence of Rent Smart Wales and the highly competitive nature of the market within this sector (other landlords can charge higher rental fees and can pay less than 10% management fees with other residential letting agents). The company, however, has been successful in that it has retained the majority of landlords once signed.
1.17	<p>The cost of running this service are currently being reviewed alongside the clear need to fully consider the current offer so as to ensure it can remain viable, this review will also need to consider how the service is effectively managed, marketed and promoted within Flintshire and of course resourced with staff who understand the local market, have innovative ideas and can sell and support a revised lettings offer.</p> <p>It is really important to note that this product contributes towards the Council’s corporate objective to increase the range of options of affordable housing provision in the private sector. As noted above both NEW Homes</p>

	and the Council are jointly developing options around how this product can work more efficiently for both NEW Homes and the Council.
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<b>2.00</b>	<b>RESOURCE IMPLICATIONS</b>
2.01	The Business Plan attached at appendix 1, in the confidential appendix, details the financial implications of the company's Growth Strategy for the duration of the Business Plan 2018-2027.
2.02	The Council would be required to commit to borrow up to £10m to on-lend to NEW Homes. This would fund the provision of affordable homes.

<b>3.00</b>	<b>CONSULTATIONS REQUIRED / CARRIED OUT</b>
3.01	No consultation undertaken as part of this report.

<b>4.00</b>	<b>RISK MANAGEMENT</b>
4.01	NEW Homes has developed a strategic Risk Register which is regularly reviewed by the NEW Homes Board. In addition, an operational Risk Register for The Walks, Flint scheme has been established and is regularly reviewed at each NEW Homes Board Meeting.
4.02	In order to ensure both the Council and NEW Homes realise value for money SHARP scheme build costs are being independently verified by a Cost Consultant.
4.03	A Performance and Financial Update Report is also presented at each NEW Homes Board meeting to review the operational and financial performance of the company.
4.04	Scheme proposals will not be approved by the Corporate Finance Manager (in consultation with the Leader of the Council), Cabinet Member for Finance unless Officers in Finance are satisfied that schemes meet the conditions detailed on Appendix 2.

<b>5.00</b>	<b>APPENDICES</b>
5.01	Appendix 1 – NEW Homes Business Plan 2018-2027 (Part 2 agenda, confidential) Appendix 2 – Financial Appraisal Requirements

<b>6.00</b>	<b>LIST OF ACCESSIBLE BACKGROUND DOCUMENTS</b>
6.01	<p><b>Contact Office: Melville Evans</b>  <b>Job Title: Housing Programmes Service Manager</b>  <b>Telephone: 01352 701436</b>  <b>E-mail: <a href="mailto:meville.evans@flintshire.gov.uk">meville.evans@flintshire.gov.uk</a></b></p>

<b>7.00</b>	<b>GLOSSARY OF TERMS</b>
7.01	<p><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).</p>
7.02	<p><b>NEW Homes</b> - 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.</p>
7.03	<p><b>Section 106 Planning Obligations and Conditions</b> – Planning obligations, also known as Section 106 agreements (based on that section of The 1990 Town &amp; Country Planning Act) are private agreements made between local authorities and developers and can be attached to a planning permission to make acceptable development which would otherwise be unacceptable in planning terms. The land itself, rather than the person or organisation that develops the land, is bound by a Section 106 Agreement, something any future owners will need to take into account.</p>
7.04	<p><b>Rent Smart Wales</b> - Rent Smart Wales is a service within Cardiff Council, in place to administer the requirements for landlord registration and agent and landlord licensing under the Housing (Wales) Act 2014. The Licensing Authority is working with local authorities to carry out their functions under the Act. Local authorities for each area may lead enforcement action against those landlords and agents not complying with their legal obligations on behalf of the Licensing Authority. In order to offer a complete service for the private rented sector in Wales, Rent Smart Wales also has information available to assist tenants living in, or looking to live in, the private rented sector.</p>