

Report Title:	Trading Activities Update
Contains Confidential or Exempt Information?	NO - Part I
Member reporting:	Councillor Jack Rankin, Lead Member for Economic Development and Property
Meeting and Date:	Cabinet , 27 April 2017
Responsible Officer(s):	Alison Alexander, Managing Director
Wards affected:	All



REPORT SUMMARY

1. The report provides an update to Cabinet on the activities, priorities and progress of the Council's trading companies.
2. The main focus since April 2016 has been the development of the Council's wholly owned Property Management and Development Company (RBWM Property Company Ltd) capable of developing a housing portfolio to meet the Council's aspirations to create a Borough for everyone.
3. In future it is planned that the Chair and Managing Director of the Property Company will provide a quarterly report and presentation of the activities of the Company to the Cabinet Regeneration Sub-committee.
4. The establishment of additional trading entities will be considered on a 'case by case' basis as and when opportunities arise or are more fully developed.

1. DETAILS OF RECOMMENDATION(S)

1.1 RECOMMENDATION: That Cabinet:

- i) **Notes the update on trading activities**
- ii) **Agrees that the Director of Children's Services writes to all Head teachers to outline the process for key worker housing including indicative timing and numbers**

2. REASON(S) FOR RECOMMENDATION(S) AND OPTIONS CONSIDERED

Background

- 2.1 With reduced levels of central government funding and increased demographic pressures councils need to become more commercial in their outlook in order to meet future funding challenges. Profits and surpluses generated through trading activities in conjunction with ongoing cost reductions/efficiency reviews can be used to help hold down council tax and/or directed into frontline services.

2.2 The initial commercial trading focus and priority for the Council since April 2016 has been to develop its wholly owned property management and development company currently focused on providing key worker accommodation.

RBWM Property Company

2.3 In June 2016 Cabinet agreed the use of S106 monies to undertake property refurbishments and property purchases for affordable/key worker accommodation. The work was to take place before transferring the properties at a peppercorn value to RBWM Property Company Ltd for it to own and manage.

2.4 In December 2016 the Council approved an initial Business Plan for the Company that sets out an aspiration to develop 138 properties within five years. The company portfolio will increase to 1000 within 10 years from properties being created as a result of the council's regeneration activities. The objectives of RBWM Property Company Ltd are:

- To provide good quality affordable and private rented housing throughout the Borough for rental purposes for the use of key workers and others requiring housing.
- To contribute to the general fund through surpluses generated from housing developed and rents received that can be re-invested in services to residents.
- To contribute towards existing and forecast demand for housing both through the development of existing Council owned sites already identified and through development of new Council owned facilities as yet unidentified.
- To remain financially viable and operate efficiently to ensure it receives sufficient rental income to meet all of its costs including financing, housing management, property maintenance and administration.

2.5 The initial programme of development within the initial Business Plan envisaged fully completing six council owned sites for key worker accommodation during 2016 and 2017 and a further one not in Council ownership which no longer represents an opportunity. A copy of the initial programme of development is included at Appendix A.

2.6 To date three sites are fully completed and available to let to key workers:

- 99 Vansittart Road, Windsor (a three bedroom house)
- 18a Hampden Road, Maidenhead (a three bedroom flat)
- 112a Wessex Road, Maidenhead.

2.7 These three sites are awaiting the required final approval of the transfer (from the Council to the Property Company) from the Secretary of State.

2.8 The initial programme also included a detailed scheme to redevelop the Bocket, which has the potential for six flats. The Culture and Communities Overview and Scrutiny Panel established a Task and Finish Group to review this scheme and other potential uses. The task group recommendations are

shortly due to be presented to Cabinet. As such work to develop this site has been put on hold pending the completion of this work and consideration of the recommendations.

- 2.9 The two other Council owned sites within the initial programme at 16 and 18-20 Ray Mill Road East, Maidenhead, which taken together would produce a further ten flats, have been impacted by planning challenges, specifically the need to develop a comprehensive flood alleviation strategy with the owners of the larger site to the rear of Ray Mill Road East. The Council is imminently due to sign contracts for the sale of this larger site to a developer. It has been agreed with the developer that as part of the planning work on the site they will commission further investigations and propose a flood alleviation strategy for the whole area. The larger Ray Mill Road East site will produce twenty affordable homes which will be transferred into the Property Company.
- 2.10 Ongoing evaluation of other potential sites and other initiatives are being actively worked on by the Property Company. Residential development can encounter many challenges and often has a long lead in period driven by factors that can be outside of the developer's control. As the Property Company implements and evolves its Business Plan it is essential that it sets realistic and achievable goals and is supported by the right skills and capabilities.
- 2.11 As such, in January 2017 the Company appointed a new Interim Managing Director. The post holder has significant experience of working as a development director in both the private sector and for housing associations.
- 2.12 The Interim Managing Director is now working with the Board to review and refresh the initial business plan and programme of development by 1 June 2017.
- 2.13 The longer term strategy for the Company is dependant on the wider Maidenhead regeneration programme. This programme offers a very exciting opportunity for the Company to grow its portfolio significantly.
- 2.14 The Property Company recently appointed a managing agent, Housing Solutions, who will manage all affordable/key worker homes. Roger Platt (Sequence) currently manage the existing eight flats at 15-17 York Road which are rented at market rents.
- 2.15 In future it is planned that the Chair and Managing Director of the Property Company will provide a quarterly report and presentation of the activities of the Company to the Cabinet Regeneration Sub-committee.
- 2.16 Properties for key workers within the Company will be allocated via the Council's Housing Options Team. They will keep a register of eligible key workers who are then contacted when a property becomes available. As part of information on the allocation process will be sent to Head teachers and the Managing Director of Optalis.

RBWM Commercial Services Company

- 2.17 As part of the delivering differently work stream within the Council's Transformation Programme options continue to be considered for commercial

activities. This work covers what would be the right structure to deliver them including the potential use of this company.

Option	Comments
To note the update on trading activities	Allows the Council to continue to progress these activities
The recommended option.	

3. KEY IMPLICATIONS

Table 2:

Outcome	Unmet	Met	Exceeded	Significantly Exceeded	Date of delivery
Business Plan for RBWM Property Company reviewed and refreshed	Business Plan for RBWM Property Company not reviewed and refreshed	1 June 2017	31 May 2017	17 May 2017	1 June 2017

4. FINANCIAL DETAILS / VALUE FOR MONEY

4.1 There are no direct financial implications arising from this report.

5. LEGAL IMPLICATIONS

5.1 The Council can rely on Section 1 power under the Localism Act 2011, General Power of Competence to establish a wholly or partly owned company. Where the Council has a shareholding in a wholly or partly owned company each will have officers of the council representing it on its Board and will be governed by a shareholder agreement.

5.2 In the event that a wholly owned company is undertaking market rent activities, any transactions between the Royal Borough and the company would need to be on full market terms. Key worker accommodation, however, could be classified as affordable housing and therefore outside of the scope of the State Aid regime.

5.3 The General Power of Competence (GPC) contained in the Localism Act 2011 sits alongside local governments existing power to trade and charge. The Localism act 2011 allows commercial trading through a special purpose trading company and provides the ability to charge for discretionary services on a cost recovery basis.

- 5.4 Advice on both the establishment and governance of trading entities and property matters has been provided by both Trowers & Hamlins and Shared Legal Services.

6. RISK MANAGEMENT

Risks	Uncontrolled Risk	Controls	Controlled Risk
The council's trading entities do not work in the best interests of its shareholders	MEDIUM	<ul style="list-style-type: none"> The Company and its officers authority is set out in a shareholders agreement and managed through a shareholder committee. 	LOW

7. POTENTIAL IMPACTS

- 7.1 Effective oversight of trading activities.

8. CONSULTATION

- 8.1 The proposals and appointment were agreed by Employment Panel.

9. TIMETABLE FOR IMPLEMENTATION

Date	Details
Review and refresh of Property Company Business Plan and supporting programme	1 June 2017

10. APPENDICES

- 10.1 Appendix A – Initial programme of development

11. BACKGROUND DOCUMENTS

- 11.1 N/A

12. CONSULTATION (MANDATORY)

Name of consultee	Post held	Date sent	Commented & returned
Councillor Rankin	Lead Member for Economic Development and Property	29 March 2017	Included throughout
Russell O'Keefe	Strategic Director of Corporate and Community Services	29 March 2017	Included throughout
Andy Jeffs	Interim Strategic Director	29 March 2017	

Name of consultee	Post held	Date sent	Comment ed & returned
Robb Stubbs	Section 151 Officer	29 March 2017	
Terry Baldwin	Head of HR	29 March 2017	

Appendix A - Initial Programme of Development (Currently being reviewed)

Potential availability date	Description	Use	Current Balance Sheet Valuation	Redevelopment Cost	Value after Development	Max affordable Rental income	Source of Funds	Comments
Complete	Vansittart Road, Windsor Ex Caretakers House	Multiple Occupancy	£550,000	£100,000	£650,000	£10,800	Loan (in place)	
Complete	Hampden Road Flat above retail unit	Multiple Occupancy	N/A	-	£300,000	£10,500	Fully funded	Not separately valued-This is part of a shop parade-value of entire parade £760,000
2017	16 Ray Mill Road East, (The House training facility)	4 flats	N/A	£200,000	£1,163,636	£40,800	S106	Not separately valued-Valuation includes land that was sold for development-value of land and property £3,978,000
2017	18 – 20 Ray Mill Road East (The Family Centre)	7 flats	N/A	£400,000	£2,036,363	£71,400	S106	

Appendix A - Initial Programme of Development (Currently being reviewed)

Potential availability date	Description	Use	Current Balance Sheet Valuation	Redevelopment Cost	Value after Development	Max affordable Rental income	Source of Funds	Comments
2017	The Brocket, Maidenhead Former PRU, listed building, parking restriction, limited alternative use – subject to further formal decision from the Council	6 flats	£1,000,000	£495,000	£2,300,000	£66,000	S106	
Complete (Re-developed 2014)	York Road, Maidenhead Flats	8 flats	£1,245,000	£1,245,000	£2,400,000	£82,000	Loan (in place)	
2017	Station Road, Wraysbury Private land sale	5 units	Not Council owned	£500,000	£1,500,000	£51,000	Self funded / S106	No longer an option
2017 – onwards	School Caretaker Properties	7 units	£2,041,000	£730,000	£2,041,000	£43,100	S106 / Loan (subject to business case approval)	The redevelopment costs are a provision only for potential improvements that will increase the asset value. Any redevelopment can only be fully assessed once the tenants vacate. Rental

Appendix A - Initial Programme of Development (Currently being reviewed)

Potential availability date	Description	Use	Current Balance Sheet Valuation	Redevelopment Cost	Value after Development	Max affordable Rental income	Source of Funds	Comments
								does not reflect the affordable rates but is an assumed rate for caretakers in residence.
2018-2020	Future development opportunities	78 units	£6,248,572	£5,350,000	£27,250,000	£840,600	S106 / Loan (subject to business case approval)	It is assumed some of the funding could also utilise the S106 budget as it will be creating affordable units.
2020	Ray Mill Road East Land sold to developer	20 units	N/A	-	£7,000,000	£204,000	Developer Funding	
Totals		138 units	£11,406,572	£9,020,000	£46,640,999	£1,420,200		The redevelopment costs will be funded as follows: c£2.9m of S106 funding, £1.45m of existing agreed loans and £4.7m of new borrowing.