

Report Title:	RBWM Property Company Ltd – Update Report – November 2017
Contains Confidential or Exempt Information?	NO
Member reporting:	Cllr Rankin – Lead Member for Economic Development and Property
Meeting and Date:	Cabinet Regeneration Sub Committee – 12 December 2017.
Responsible Officer(s):	Russell O’Keefe – Executive Director &
Wards affected:	All

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REPORT SUMMARY

1. The report provides an operational update on RBWM Property Company Ltd covering:
 - Delivery plans and business plan
 - Key performance indicators
 - Governance
 - Human resources
 - Value for money/added value
 - Health and safety
 - Vacant properties/nominations
 - Development programme update.
2. Delivery Plans has been established, for 2017/2018 targeting key tasks and milestones. A detailed review of the overall business plan is being undertaken and will be presented to Cabinet Regeneration approval.
3. The Company is projecting a net surplus of £82,000, before expected dividend to the council of £75,000. Savings will be recorded where RBWM Prop Co, can demonstrate a clear savings to the Council, by reviewing scope of services in place and carrying out work directly. Currently, a confirmed saving of £175,000 has been identified.

1 DETAILS OF RECOMMENDATION(S)

RECOMMENDATION: That Cabinet Regeneration Sub Committee notes the report and:

- i) Considers the update report and planned work.

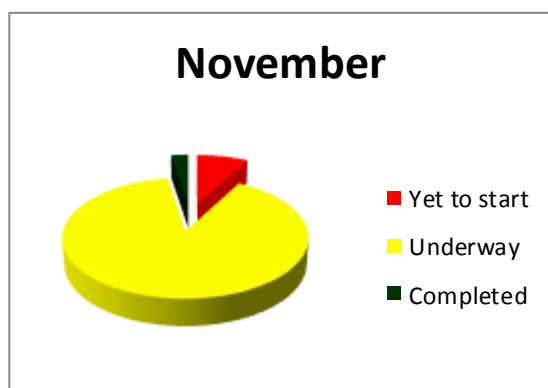
2 REASON(S) FOR RECOMMENDATION(S) AND OPTIONS CONSIDERED

2.1 Operational reports go to the RBWM Prop Co board on a monthly basis, and include all key elements of business operations. The latest position is summarised in this report.

Delivery Plans and Business Plan

2.2 Delivery Plans have been established for the remainder of 2017/2018 financial year to enable the company to focus on key milestone and outputs that need to be completed by March 2018. Progress is summarised in table 1 below.

Table 1: Delivery of key milestones and outputs 2017/18



Task	%
Yet to Start	8%
Underway	89%
Completed	3%
Total	100%

- 2.3 In December 2017, the Company will seek to start to establish the delivery plan for 2018/2019, which will be for a full financial year. A detailed review of the Property Company Business Plan is being undertaken and a revised business plan will be presented in the next update to Cabinet Regeneration Sub-committee approval.

Key performance indicators (KPIs)

- 2.4 A set of KPI's will be established for 2018/2019, as part of the 2018/2019 delivery plans. Alongside this the Company is establishing a set of KPI's for the managing agents Housing Solutions and a suite of KPI's to accompany the service level agreements for internal service provision of finance, human resources and property services.

Governance

- 2.5 The existing company structure for RBWM Prop Co, is currently limited to one company, that is Ltd but not Vat registered. This is due to the fact that this company holds assets for rent, and rental income is not a vatable supply.
- 2.6 To strengthen the skills and experience on the company board, a professional recruitment process has been undertaken for Non-executive directors and local stakeholders who could be potentially co-opted to the board. These appointments will be formally recommended to the Board and agreed in liaison with the lead member.

Human resources

- 2.7 A staffing structure was approved at the RBWM Prop Co Board meeting on 24 October 2017. Interviews have taken place, and offers made and accepted for an Operations Manager and Head of Land & Acquisition. This appointment will provide enhanced capacity to deliver the work programme and reduce the need for external consultants.

Value for money/added value

- 2.8 An in-depth review of the scope of services being offered by Savills for the procurement services for Maidenhead Golf Course has resulted in an initial saving of £175,000, on the overall fee proposal. Further savings under this contract are expected to be identified.

Health and safety

- 2.9 The company currently own 11 properties. Properties are 100% compliant in all the following areas:
- Asbestos
 - Legionella
 - Landlord Gas Safety (LGSR) – CP12
 - EPC (Energy Performance Certificate)
 - Electrical Testing

Vacant properties

- 2.10 The company currently has five vacant properties, two in York Road, and three x 3b refurbished properties recently handed over to the property company. The company are in receipt of nominations for all five properties from the Council's housing service for key workers and those in housing need. Potential tenants are currently undergoing credit checks, and viewings are taking place. The company is targeting signing of tenancy agreements by early December.

Development programme update

- 2.11 A list of all projects that are currently underway, and require input, guidance, advice and management by RBWM Property Co Ltd have been brought together into an initial overall development programme. This has been divided into four key categories, in order to review better on a monthly basis, and also, to keep track of progress. The work streams have been divided into:
- Potential development programme
 - Joint venture programme
 - Development consultancy
 - Enabling provision
- 2.12 Three of these categories specifically target the provision of housing across the borough and one category identifies development consultancy work on special capital projects that require delivery on behalf of the Council.
- 2.13 The Potential Development Programme identifies 15 sites that may be suitable for redevelopment to residential use. Due diligence and research needs to be carried out, in terms of massing, density and feasibility in order to ascertain if these site would be suitable to take forward for redevelopment. Sites that are in the short term category are currently under investigation. This totals four sites, two of which are listed in 2.16 below.
- 2.14 The units identified in this programme currently are being assessed on a private rented sector (PRS), Subsidised PRS to support affordability, or Shared Ownership basis, with a priority focus for key workers.
- 2.15 In 2.16 the base assumptions are set out on two sites that have been initially appraised. The base assumptions are at a conservative level at this stage, until such time that further due diligence can be undertaken and risk and costs better understood. The appraisals have been undertaken on the basis of a site visit and desktop appraisal. Further research will assist with better informed sales values, build costs, and rent levels. However, we believe that we have the ability to both increase sales values and decrease build costs with a better understanding of the key implications of each site. Finance costs have currently been applied at 5%.

2.16 Final scheme appraisals and full investment reports will be brought back to Cabinet Regeneration Sub-committee for approval to proceed in the next update including proposals for subsidised rent levels to increase affordability where applicable.

Brockets, Boyn Hill Avenue, Maidenhead SL6 4EY

- Sales Value assumed at £580 sq.
- Build Costs assumed at £215 sq. (£2,300m2) and have been based on a major conversion of a grade II listed building and an additional new build property.
- Rent Levels range from £1,550-£2,200 per month for private rent.

St Edmunds House, Ray Mill Road West, Maidenhead SL6 8SB

- Sales Value assumed at £500 sq. ft.
- Build Costs assumed at £232 sq. ft. (£2,500m2) and have been based on demolition of two buildings, and the new build of a Ground plus 2 story flatted scheme.
- Rent Levels range from £880-£1,100 per month for private rent.

2.17 In regards to the joint venture programme there are currently five sites, four of which sit within the Royal Borough Development Partnership Joint Venture (JV) with Countryside and the Golf Course JV for which a procurement process has just commenced.

2.18 A further site at Ray Mill Road East is currently being discussed with Cala Homes. This is for minimum of 78 units brought forward by Cala Homes with 20 properties built out for affordable rent and transferred to the Prop Co on completion. Key issues with the Environment Agency (EA) regarding flood risk have substantially delayed the project. Cala are in discussions with EA which are due to conclude by end of November 2017.

2.19 The key to unlocking these projects is around vacant possession of sites, provision of parking and major infrastructure. The Prop Co will lead on these areas on behalf of the Council, along with bringing a holistic approach and vision to the emerging new town centre, in order to make sure that regeneration is delivered and is sustainable. Detailed site proposals will be brought to Cabinet Regeneration Sub-committee for approval.

3 KEY IMPLICATIONS

3.1 Further due diligence is required along with a full investment report, before substantial financial commitment could be given to any of the projects in the potential development programme. An Investment report would be produced with set budgets, outputs and key milestone. These would include SMART objectives, and would need to be included in the overall work commitment to the Council.

Table 2: Key implications for three sites in potential development programme

Outcome	Unmet	Met	Exceeded	Significantly Exceeded	Date of delivery
Planning Submission	Not secured	Achieved by key milestone	Achieved within key milestone	Achieved 2 months prior to key milestone	Sept 2018

Outcome	Unmet	Met	Exceeded	Significantly Exceeded	Date of delivery
Resolution to Grant	Not secured	Achieved by key milestone	Achieved within key milestone	Achieved 2 months prior to key milestone	Dec 2018
Start on Site	Not secured	Achieved by key milestone	Achieved within key milestone	Achieved 2 months prior to key milestone	Feb 2019
Budgets	Over budget	On budget	Within budget	Outperforms by 10% of more	Ongoing
Practical Completion	Not secured	Achieved by key milestone	Achieved within key milestone	Achieved 2 months prior to key milestone	Feb 2020- Feb 2021
Letting or sales of Properties	Not secured	Achieved by key milestone	Achieved within key milestone	Achieved 2 months prior to key milestone	March 2020- March 2021

4 FINANCIAL DETAILS / VALUE FOR MONEY

- 4.1 The overall financial monitoring report for month ending October 2017/18 shows projected rental net income of £7,000, administration costs including RBWM SLA charges and establishment and operating costs of £252,000.
- 4.2 Funding is recognised in the form of RBWM management charge of £225,000 and approximately £110,000 from a Development Partnership agreement.
- 4.3 A net surplus is projected of £82,000, before expected dividend to the council of £75,000
- 4.4 RBWM Prop Co would deliver projects on behalf of the Council based on admin and development fees within project costs, these costs would be capitalised. This would reduce the need for an over reliance on external consultants, who would only be appointed for specialist advice, such as formal valuation, Architects, Quantity Surveyors, Civil and Structure Engineers etc.

Table 3

REVENUE	2017/18	2018/19	2019/20
Addition	£0	£0	£0
Reduction	£75,000	£0	£0
Net impact	£75,000	£0	£0

CAPITAL			
Addition	£0	£0	£0
Reduction	£109,000	£66,000	£0
Net impact	£109,000	£66,000	£0

- 4.5 Sites that have been initially appraised for the potential development programme have been done so, in order to demonstrate an Internal Rate of Return, Debt Repayment Period, Net-yield and where appropriate Sales Receipts.
- 4.6 With further due diligence and research RBWM Prop Co are confident that these scheme could improve in all of the above areas. Hurdle rates that the Council would wish to see in terms of outputs for projects of this type would be proposed as part of the scheme specific investment reports. These will be brought back to Cabinet Regeneration Sub-committee for approval in the next update.

5 LEGAL IMPLICATIONS

- 5.1 The Council has the authority to commission RBWM Prop Co to undertake work on their behalf as development agent, to deliver these projects should they wish to proceed. RBWM Prop Co is a wholly owned subsidiary of the Council, and work of this nature would fall under Teckal regulations, and a tendering process would not be necessary.

6 RISK MANAGEMENT

- 6.1 The detailed risks of each scheme would be identified in an investment report, as each scheme has its own risk profile. These risks would include areas of planning, legal title, sales values, build costs, need and demand for the individual property types and tenures. The investment reports would establish exit routes, or alternative solutions to mitigate risk.

7 POTENTIAL IMPACTS

- 7.1 All sites being progressed have the ability to improve and contribute to housing supply in the borough and financial returns to the Council through initial sales receipts and/or long term income streams.

8 CONSULTATION

- 8.1 The operational and Development Programme update report has been to RBWM Board on 21st November 2017.
- 8.2 This will be considered by Corporate Overview and Scrutiny Committee.

9 TIMETABLE FOR IMPLEMENTATION

- 9.1 Potential Development Programme – additional due diligence will be undertaken during January 2018 on the sites, once specialist consultants are appointed. The final investment reports will be brought back to Cabinet Regeneration Sub-committee in the next update.

9.2 A copy of the current overall timetable for the Royal Borough Development Partnership with Countryside is set out below:

Table 3: Royal Borough Development Partnership Programme

Site Number	Site Name	Est planning Submission	Potential SOS	Potential PC
2	York Road Sector, Maidenhead, SL6 1RF Phase I	Mar-18	Sep-18	Oct-20
	York Road Sector, Maidenhead, SL6 1RF Phase II	Mar-18	Sep-18	Mar-21
	York Road Sector, Maidenhead, SL6 1RF Phase III	Mar-18	Sep-18	Jun-21
3	West Street, Maidenhead,	Sep-18	Mar-19	Nov-21
4	St Clouds Way, Maidenhead	Jan-19	Sep-19	May-21
5	Reform Road, Maidenhead,	Jun-20	May-21	Dec-22

9.3 The current overall programme for the Maidenhead Golf Course OJEU Process is set out in table 4.

Table 4: Maidenhead Golf Course OJEU Process

Activity	Target date
Stage One	
OJEU Notice published	4 November 2017
Estates Gazette Advert	4 November 2017
Bidder Briefing	10 November 2017
SQ submission deadline	4 December 2017
Notification of Longlist	22 December 2017
Stage Two	
Invitation to Participate in Dialogue issued	3 January 2018
Briefings and Interim Dialogue Meetings	January 2018
Submission of Outline Solutions	14 February 2018
Notification of Shortlisting	7 March 2018
Stage Three	
Invitation to Continue Dialogue issued	9 March 2018
Dialogue Meetings	March - May 2018
Invitation to Submit Final Tenders Issued	May 2018
Submission of Final Tenders	June 2018
Notification of Preferred Bidder	July 2018

10 APPENDICES

Appendix A – Existing properties within company.

11 BACKGROUND DOCUMENTS

Not applicable

12 CONSULTATION (MANDATORY)

Name of consultee	Post held	Date sent	Commented & returned
Councillor Rankin	Lead Member for Economic Development and Property	26.11.17	26.11.17
Alison Alexander	Managing Director	26.11.17	26/11/17
Russell O'Keefe	Executive Director	22.11.17	24.11.17
Andy Jeffs	Executive Director	26.11.17	
Rob Stubbs	Section 151 Officer	22.11.17	
Terry Baldwin	Head of HR	26.11.17	
Mary Kilner	Head of Law and Governance	26.11.17	
Louisa Dean	Communications and Marketing Manager		
	Other e.g. external		

Appendix A – Existing properties within company

Property Type	No Of units	Tenure	Percentage of M. Rent	Rent Per month	Occupation	Occupant status
1b2p F	6	Market Rent	100%	£900	Occupied	Non Key Worker
3b4p F	2	Affordable Rent	80%	£880	Vacant	Key Workers Nominated
1b2p F	2	Affordable Rent	80%	£720	Vacant	Key Workers Nominated
3b5p H	1	Local Housing Allowance	70%	£1,061	Vacant	Key Workers Nominated
Total	11					

Nominations have been made to key workers in social services and the armed forces.