

Report for: ACTION



Contains Confidential or Exempt Information	No
Title	RBWM Property Company Initial Business Plan
Responsible Officer(s)	Alison Alexander, Managing Director/Strategic Director Adults, Children and Health
Contact officer, job title and phone number	Russell O'Keefe, Strategic Director of Corporate and Community Services 01628 796521
Member reporting	Cllr Jack Rankin, Lead Member for Economic Development and Property
For Consideration By	Cabinet Regeneration Sub Committee
Date to be Considered	13 December 2016
Implementation Date if Not Called In	Immediately
Affected Wards	All Wards

REPORT SUMMARY

1. This report seeks approval of the Company's initial five year business plan and seeks specific approval for:
 - a. A budget of £200,000 to be provided from S106 funds in 2016/17 to meet the redevelopment of 16 Ray Mill Rd.
 - b. A budget of £400,000 to be provided from S106 funds in 2016/17 to meet the refurbishment of 18-20 Ray Mill Rd.
2. This initial five year Business Plan will be subject to regular and continual review, with a first review after three months, April 2017, a second review August 2017 and at least annually moving forward.
3. Further reports will come back on a quarterly basis with management accounts and operational report, and as required by Shareholder agreement.

If recommendations are adopted, how will residents benefit?

Benefits to residents and reasons why they will benefit	Dates by which residents can expect to notice a difference
1. Provision of 138 affordable housing units for 'key workers' and those in housing need.	Jan 2017-March 2021
2. Through providing income to the Council that can be	Jan 2017-March 2021

used to fund services.	
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1. DETAILS OF RECOMMENDATIONS

RECOMMENDATION: That Cabinet:

- i. **Notes and approves of the initial five year Business Plan.**
- ii. **Approves initial budgets of £200,000 and £400,000 respectively in order to undertake works at 16 and 18-20 Ray Mill Road subject to planning being successfully approved.**

2. REASON FOR RECOMMENDATION(S) AND OPTIONS CONSIDERED

Background

- 2.1 In April 2016, Two 5 Nine Ltd, one of the Council's commercial trading companies, was renamed RBWM Property Company Ltd with its sole focus on becoming a property management and development company.
- 2.2 One of the Council's objectives is to increase the supply of affordable housing and to make sure the Council provides a Borough for everyone. This includes the provision of affordable accommodation for key workers and others who are in housing need e.g. homeless and those residing in temporary accommodation.
- 2.3 The Company has an aspiration to develop at least 138 units within the next five years, to be let at affordable rents and to manage a portfolio of at least 1,000 properties within a ten-year timeframe. This will be a mixture of affordable units and private rented sector (PRS) units.
- 2.4 Initially, it is proposed that RBWM Property Company Ltd will develop property for which it will charge 80% of current market rents in order to attract and retain key workers such as teachers and social workers to the Borough where the current cost of housing/accommodation is regarded as high. Properties may be offered to other people who are in housing need e.g. those for whom the Council has a statutory homeless duty to and would be or are residing in temporary accommodation. The Company will only be offering tenants Assured Shorthold Tenancies.
- 2.5 Although the business plan has been modelled on 138 units beyond this period it is envisaged that the company will grow significantly as more properties are added to the portfolio as a result of developments constructed as part of the Council's regeneration projects which will include PRS. The Company will look at new opportunities in line with its objectives.
- 2.6 The Council as the sole shareholder of the company will make funding available to the company through loans at an agreed rate and payment schedule.
- 2.7 The Council will transfer to the Company Council owned properties/assets at an agreed value that have been developed using S106 contributions allocated for

affordable housing or properties provided by developers through regeneration sites including PRS.

- 2.8 The Business Plan identifies on a site by site basis potential developments over the term. The majority of which will require planning permission. The schemes at Ray Mill Road are currently being determined and it is envisaged they will be presented to Maidenhead Development Control Panel in January. As such funding is required in order to ensure that works can commence immediately once approval is given.
- 2.9 The overriding principle of the financial model is that there will be no overall cost, over the life of the business plan, to the Council of setting up and financing the Company. In addition, the Council will benefit from recurring future dividends (profits after tax) from the Company, capital growth in the value of the property portfolio and increased Council tax receipts together from any New Homes Bonus income generated by the new stock.
- 2.10 By the end of the initial five-year period of the Business Plan, the Company will have built an asset base with a value of £46,640,999 and generate profits before tax of c£674,000 per annum.
- 2.11 Profit that comes back to the Council from the Company can be used to invest in service for residents. This ensures the council is not holding on to assets and underutilising them but instead using them proactively in the most efficient and effective way for the benefits of residents through improving the area and services, in line with the council's priority to always put residents first.
- 2.12 The Council originally considered simply providing strategic direction and objectives to the Company was sufficient and the companies should simply deliver on those requirements. However, it has been realised that it is important to residents that how services are delivered through the companies is just as important as what services are delivered. The Council appreciates that residents expect that the public sector concepts of consultation, transparency and open decision-making must apply irrespective who actually delivers the services.
- 2.13 A sound and robust governance structure of the company is in place to protect the Council's financial and reputational investment in the company and ensure transparency. As sole shareholder the Council appoints the directors, approves the business plan and other key decisions. These decisions will be taken by Cabinet in line with the formal shareholders protocol agreement with the Property Company. Regular reviews with the shareholders will be undertaken. The Council will be represented in shareholder reviews by the following:
 - Lead Member for Housing
 - Lead Member for Economic Development and Property
 - Lead Member for Finance
 - Lead Member for Legal
 - Managing Director.
- 2.14 The Company will be liable for payment of Corporation tax and VAT.

- 2.15 In accordance with the Initial Business Plan the Company recently invited tenders from a number of Registered Housing Providers for the provision of managing and letting agent services to the Company. Two organisations submitted bids for the total service provision which included the day to day management and letting of the proposed estate together with management of any Council backed/ supported shared ownership or equity schemes. Other organisations declined to bid although declared an interest in the shared ownership aspect should this be tendered as a separate element at some future point in time.
- 2.16 The bids have been evaluated and the next stage is to interview each organisation to clarify elements of the submissions in terms of the costs provided and the range and quality of services. After this stage further due diligence will be undertaken and recommendations for approval made.

3. KEY IMPLICATIONS

Defined Outcomes	Unmet	Met	Exceeded	Significantly Exceeded	Date they should be delivered by
Planning Approval for 16,18 &20 Ray Mill Rd Granted.	Jan 2016	Dec 2016	Nov 2016	Nov 2016	Dec 2016
Work to Commence On 16 Ray Mill Rd.	March 2017	Feb 2017	Jan 2017	Jan 2017	Feb 2017
Units available.	Oct 2017	Sept 2017	Aug 2017	July 2017	Sept 2017

4. FINANCIAL DETAILS

Financial impact on the budget

- 4.1 The company has been funded initially from the provision of a short term loan and income generated from the rental of a small number of flats in York Road, Maidenhead. This has allowed it to fund its initial start up costs, renovate a property in Vansittart Road, Windsor, fund legal advice and finance a number of preliminary planning studies and planning applications.
- 4.2 In order to fund the next property refurbishment a budget of £200,000 is required for 16 Ray Mill Road East and £400,000 for 18-20 Ray Mill Road East. It should be noted that monies will be allocated from S106 funds already received and as such will have no impact on the Council's General Fund.
- 4.3 The Business Plan sets out dividends for the Council commencing with £75,000 in 2017/18 which can be reinvested in services for residents.

	2016/17	2017/18	2018/19
	Capital	Capital	Capital
Addition	£600,000	£0	£0
	Revenue	Revenue	Revenue
Income - dividend	£0	(£75,000)	(£250,000)

5. LEGAL IMPLICATIONS

- 5.1 Detailed legal advice is provided in Annex F within the Business Plan. The Council can rely upon the general power of competence within the Localism Act 2011 to form the Housing Company for operating a business to let homes for rent.
- 5.2 The Council has a duty to efficiently manage its assets and has legal powers to hold and transfer/dispose of land under sections 123 of the Local Government Act 1972. Where Councils wish to dispose of land or property at an under value the consent of the Secretary of State will be required in accordance with Section 24 of the Act.
- 5.3 Sections 24 and 25 of the Local Government Act 1988 specifically allows for the Council to provide financial assistance through the provision of loans and subscription to share capital to support the Housing Company with the consent of the Secretary of State.

6. VALUE FOR MONEY

- 6.1 Through the better utilisation of Council Assets and the use of existing S106 contributions the Company can develop a property portfolio that is not only of benefit to residents but generates recurring income for the Council.

7. SUSTAINABILITY IMPACT APPRAISAL

- 7.1 None.

8. RISK MANAGEMENT

Risks	Uncontrolled Risk	Controls	Controlled Risk
Collapse of housing market could impact on the value of the portfolio.	Low / Medium	Following refurbishment and revaluation the overall value of the portfolio will have increased significantly and any market collapse will need to be dramatic.	Low

Risks	Uncontrolled Risk	Controls	Controlled Risk
		This will affect the balance sheet value but is unlikely to affect rental income.	
Lack of tenants which will impact on any debt servicing and profitability.	Low/Medium	The target market is 'key workers' and provision of social support it is envisaged that there will be a continual demand for this type of accommodation and in any economic downturn the requirement may actually increase. In addition given that the residents will be public sector supported this provides an additional level of security in terms of rental income guarantees.	Low

9. LINKS TO STRATEGIC OBJECTIVES

1 The recommendations of this report support the following Strategic Objectives:

Residents First

- Provides a facility to attract and retain key workers to the Borough
- Increases the amount of affordable accommodation

Value for Money

- Provides a portfolio of homes at affordable rents

Delivering Together

- Delivering in collaboration with key stakeholders and residents

Equipping Ourselves for the Future

- Secures the assets for future provision
- Provision of recurring income

10. EQUALITIES, HUMAN RIGHTS AND COMMUNITY COHESION

10.1 None.

11. STAFFING/WORKFORCE AND ACCOMMODATION IMPLICATIONS

11.1 As the Company grows it will take on staffing resources as required to deliver the Business Plan.

12. PROPERTY AND ASSETS

12.1 As detailed in this report.

13. ANY OTHER IMPLICATIONS

13.1 None.

14. CONSULTATION

14.1 This report will be sent to the Cabinet Regeneration Sub Committee and Planning and Housing Overview and Scrutiny Panel for review.

15. TIMETABLE FOR IMPLEMENTATION

15.1 As set out in detail in the Business Plan at Appendix A.

16. APPENDICES

- RBWM Business Plan

17. BACKGROUND INFORMATION

- None.

18. CONSULTATION (MANDATORY)

Name of consultee	Post held and Department	Date sent	Date received	See comments in paragraph:
Internal				
Cllr Jack Rankin	Lead Member for Economic Development and Property	15/11/16	26/11/16	Comments
Alison Alexander	Managing Director/ Strategic Director Adults, Children and Health	14/11/16	27/11/16	Comments
Russell O'Keefe,	Strategic Director of Corporate and Community	14/11/16	26/11/16	Comments

Name of consultee	Post held and Department	Date sent	Date received	See comments in paragraph:
	Services			
Simon Fletcher	Strategic Director Operations and Customer Services	14/11/16		
Rob Stubbs	Head of Finance	14/11/16		

REPORT HISTORY

Decision type:	Urgency item?
Key Yes	No

Full name of report author	Job title	Full contact no:
Russell O'Keefe	Strategic Director Corporate and Community Services	01628 796521