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| Report Title: | RBWM Property Company – Investments Reports |
| Contains Confidential or Exempt Information? | YES - Part II Appendix A, B & C. Not for publication by virtue of paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972. |
| Member reporting: | Councillor Rankin, Lead Member for Economic Development and Property. |
| Meeting and Date: | Cabinet - 27 September 2018 |
| Responsible Officer(s): | Russell O’Keefe – Executive Director. |
| Wards affected: | All |

REPORT SUMMARY

- 1 The property company has undertaken initial due diligence on three Council owned assets which are or will become vacant shortly and are potentially available for redevelopment.
- 2 The redevelopment of the three assets would deliver up to 27 affordable homes. All 27 properties would be delivered as affordable housing. 5 properties for social rent (27%) and 22 properties for shared ownership (73%). The provision of shared ownership across this small portfolio enables the provision of rented units at social rent levels to be provided.
- 3 The property company will deliver the projects on behalf of the Council, and when practical completion has been achieved the assets will transfer to the property company following approval from the Secretary of State.
- 4 Once all properties have been completed and transferred to the property company the outstanding capital cost will be converted to a loan which will be repaid to the Council, no later than year 18 at a fixed interest rate of 5%.
- 5 The Investment reports and associated projects come with a full recommendation from the Prop Co Board.

1 DETAILS OF RECOMMENDATION(S)

RECOMMENDATION: That Cabinet notes the report and:

- i) **Approves the capital budget spend of £7,059,088 for the three redevelopment projects.**
- ii) **Approves the transfer of the assets, once completed to RBWM Property Co Ltd, for use as affordable housing.**
- iii) **Delegates authority to the Executive Director with the Lead Member for Economic Development and Property to progress the projects including submitting planning applications and appointing contractors.**

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

- 2.1 The business plan for the property company is designed to assist the Council to achieve its strategic priority of securing an increase in the number of affordable homes available to residents. Building up a portfolio of assets of both market and sub market products, with a priority focus for key workers in the borough, is aligned with the Council vision and strategic priority.
- 2.2 Redevelopment of the three assets will enable up to 27 new affordable homes to be added to the property company portfolio to help to meet housing need in the Borough. The three assets are:
 - Mokattam, Altwood Bailey, Maidenhead (Appendix A).
 - School House, Riverside Primary School, Maidenhead (Appendix B).
 - Ray Mill Road East, Maidenhead (Appendix C).
- 2.3 The three assets will enable 27 affordable homes to be delivered to households on incomes ranging from £15,000-£40,000 per annum. The average household income in the borough is currently £45,000 per annum.
- 2.4 All three assets are in the ownership of the Council and become vacant by December 2018. Therefore there are no issues in terms of gaining vacant possession or terminating any leases.
- 2.5 Planning permission will be required on all three assets. Planning is always a risk and pre application advice would be obtained before committing a substantial proportion of the budget to the redevelopment projects.
- 2.6 The asset at Mokattam, Altwood Bailey, Maidenhead is currently used as a care home and will become vacant in December 2018. A decant process has taken place over the last year, after A2 Dominion decided they did not wish to renew the lease for the building, or run a service for the residents. Housing Solutions have been instrumental in finding alternative more appropriate accommodation for all residents. It is proposed to deliver an affordable housing scheme of up to six homes, two homes for social rent and four homes for shared ownership.
- 2.7 The School House at Riverside Primary School is a single 3 bed detached house which was used for caretaker accommodation. The caretaker has now retired, and is being moved to alternative more appropriate accommodation for his needs. This property becomes vacant in August 2018 and it proposed to re-develop the site and deliver an affordable housing scheme of two homes for social rent and 2 homes for shared ownership.
- 2.8 The land at Ray Mill Road East, Maidenhead is currently vacant. The Council is currently finalising a disposal of the land to Cala Homes to deliver 78 homes. As part of the current deal 20 homes will be transferred to the Prop Co and used for affordable housing. It is proposed to acquire a further 17, of the 58, of the homes for affordable housing.
- 2.9 When making an assessment of these assets a disposal of assets for private development on the open market was explored. Although this still remains an option for the council, it is recommended that these assets be retained by the

property company a wholly owned subsidiary of the Council and used for the benefit of affordable housing.

Table 1: Options

| Option | Comments |
|---|---|
| Approve budget of £7,059,088 to deliver up to 27 affordable homes for residents living and working in the borough. This is recommended. | This would ensure the delivery of additional affordable housing in the Borough and a positive return on investment and use of the Council's assets. |
| To not approve budget of £7,059,088 to deliver up to 27 affordable homes for residents living and working in the borough. | This would not deliver affordable housing or make positive use of these Councils assets. |

3 KEY IMPLICATIONS

Table 2: Key implications – Mokattam

| Outcome | Unmet | Met | Exceeded | Significantly Exceeded | Date of delivery |
|--------------------------------|---------------------|-------------------------------|---------------------------------|-------------------------------|-------------------------------|
| Planning submission | Not submitted | 15 th March 2019 | 30 th February 2019 | 31 st January 2019 | 15 th March 2019 |
| Budgets | >10% Increase | On budget | 5% saving | 10% saving | July 2020 |
| External consultants appointed | Not appointed | 30 th October 2018 | 30 th September 2018 | N/A | 30 th October 2018 |
| Start on site | Not achieved at all | August 2019 | July 2019 | June 2019 | August 2019 |
| Practical completion | Site delayed | July 2020 | June 2020 | May 2020 | July 2020 |

Table 2: Key implications – Riverside

| Outcome | Unmet | Met | Exceeded | Significantly Exceeded | Date of delivery |
|--------------------------------|---------------|-------------------------------|---------------------------------|-------------------------------|-------------------------------|
| Planning submission | Not submitted | 15 th March 2019 | 30 th February 2019 | 31 st January 2019 | 15 th March 2019 |
| Budgets | >10% Increase | On budget | 5% saving | 10% saving | July 2020 |
| External consultants appointed | Not appointed | 30 th October 2018 | 30 th September 2018 | N/A | 30 th October 2018 |
| Start on | Not | August | July 2019 | June 2019 | August 2019 |

| Outcome | Unmet | Met | Exceeded | Significantly Exceeded | Date of delivery |
|----------------------|-----------------|------------|-----------------|-------------------------------|-------------------------|
| site | achieved at all | 2019 | | | |
| Practical completion | Site delayed | July 2020 | June 2020 | May 2020 | July 2020 |

Table 2: Key implications – Land at Ray Mill Road East

| Outcome | Unmet | Met | Exceeded | Significantly Exceeded | Date of delivery |
|--|---------------------|--------------------------------|--------------------------------|-------------------------------|--------------------------------|
| Exchange of Contracts with CALA homes for disposal of the land | Not acquired | 30 th June 2019 | 1 month before | 2 months before | 30 th June 2019. |
| Planning submission | Not submitted | 28 th December 2018 | 1 month before | N/A | December 2018 |
| Budgets | >10% Increase | On budget | 5% saving | 10% saving | December 2020 |
| External consultants appointed | Not appointed | 30 th October | September 2018 | N/A | 30 th October 2018 |
| Start on site | Not achieved at all | 1st August 2019 | 30 th July 2019 | 30 th June 2019 | 1st August 2019 |
| Practical Completion | Site delayed | 30 th December 2020 | 30 th November 2020 | 30 th October 2020 | 30 th December 2020 |

4 FINANCIAL DETAILS / VALUE FOR MONEY

4.1 Costs to date have been run as feasibilities appraisals and will need to be updated and signed off by the Executive Director and Lead Member for Economic Development and Property as the projects progress. The key stages for sign off would be:

- Feasibility Appraisal
- Planning Appraisal
- Pre-Construction Appraisal
- Practical Completion Appraisal
- End of Sales Appraisal (only where share ownership is included)

4.2 Investment reports are provided, see appendix xx. The reports confirm that that each redevelopment has a positive net present value (NPV) and internal rate of return (IRR):

- Mokattam, capital budget of £1,704,682, IRR of 8.23% and NPV of £279,384.
- School House, capital budget of £905,863, IRR of 7.1% and NPV of £93,778.

- Ray Mill Road East, capital budget £4,448,543, IRR of 8.98% and an NPV of £750,222.
- 4.3 Once all properties have been completed and transferred to the property company the outstanding capital cost will be converted to a loan which will be repaid to the Council, over 18 years and at an interest rate of 5%.
- 4.4 In the future the Property Company will explore moving completed assets to external financing arrangements to reduce the level of borrowing from the Council.

Table 3: Financial impact of report’s recommendations

Please note capital use and table to be profiled before version sent to cabinet briefing.

| CAPITAL | 2018/2019 | 2019/2020 | 2020/2021 |
|----------------|------------|------------|------------|
| Addition | £2,353,029 | £2,353,029 | £2,353,029 |
| Net impact | £2,353,029 | £2,353,029 | £2,353,029 |

5 LEGAL IMPLICATIONS

- 5.1 The Council has the power to obtain planning, and build properties on its own land. It will require approval from the Secretary of State to transfer properties at practical completion to RBWM Property Company Ltd for the use of affordable housing. This permission will be sought prior to practical completion and handover of properties to the Property Company.

6 RISK MANAGEMENT

- 6.1 A risk register per redevelopment project will be drawn up if capital budgets are approved. Overall risks are set out in table 4.
- 6.2 All three redevelopment projects will be monitored by RBWM Property Company Board, with regular finance reports, risk registers, project reports to the board.

Table 4: Impact of risk and mitigation

| Risks | Uncontrolled Risk | Controls | Controlled Risk |
|---------------------------------|--------------------------|---|------------------------|
| Planning | High | Pre-application advice, before submission | Medium |
| Start on site | High | Reschedule programme | Low |
| Acquisition of third party land | Medium | Alternative scheme if not acquired | Low |
| Build cost inflation | Medium | Ascertain fixed build cost prior to | Low |

| Risks | Uncontrolled Risk | Controls | Controlled Risk |
|--|--------------------------|---|------------------------|
| | | start on site | |
| Sales values for shared ownership properties | Medium | Regular updated valuations. Monitor the market for other shared ownership schemes. | Low |

7 POTENTIAL IMPACTS

- 7.1 The projects will be delivered for and on behalf of the Council by RBWM Property Company Ltd. The company now has a dedicated team of staff, all experienced in residential property development. It also has a dedicated Board all of which bring a collection of finance, property and corporate business skills.
- 7.2 Once the redevelopment projects have been completed, the properties will transfer in ownership to the property company who will manage the portfolio of affordable homes.
- 7.3 The assets will then be owned by the property company who in turn is fully owned by the Council. Through this process the Council never lose control of the assets.

8 CONSULTATION

- 8.1 The report will be submitted to the Corporate Services Overview & Scrutiny Committee.

9 TIMETABLE FOR IMPLEMENTATION

- 9.1 The key stages below will enable a professional team to be engaged and continue with both due diligence and planning.

Table 5: Implementation timetable

| Date | Details |
|-------------------|---|
| 25 September 2018 | Full Council approval of capital budget |
| 27 September 2018 | Cabinet approval to progress the projects |
| 20 October 2018 | Appoint professional team |

- 9.2 Implementation date if not called in: Immediately.

10 APPENDICES

- 10.1 There are three appendices to this report:

- Appendix A – Land at Ray Mill Road East, Maidenhead – Investment Report. Not for publication by virtue of paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972
- Appendix B – Mokattam, Altwood Bailey, Maidenhead – Investment Report. Not for publication by virtue of paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972
- Appendix C – School House, Riverside Primary School, Maidenhead – Investment Report. Not for publication by virtue of paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972

11 BACKGROUND DOCUMENTS

11.1 Not applicable.

12 CONSULTATION (MANDATORY)

| Name of consultee | Post held | Date sent | Commented & returned |
|--------------------------|--|------------------|---------------------------------|
| Councillor Rankin | Lead Member for Economic Development and Property. | 23.8.18 | 28/8/18 |
| Alison Alexander | Managing Director | 23.8.18 | 28/8/18 |
| Russell O'Keefe | Executive Director | 23.8.18 | |
| Andy Jeffs | Executive Director | 23.8.18 | 28/8/18 |
| Rob Stubbs | Section 151 Officer | 23.8.18 | 28/8/18 |
| Nikki Craig | Head of HR and Corporate Projects | 23.8.18 | 06/09/18 |
| Elaine Browne | Law and Governance | 23.8.18 | 06/09/18 |
| Louisa Dean | Communications and Marketing Manager | 23.8.18 | 06/09/18 |
| | Other e.g. external | | |