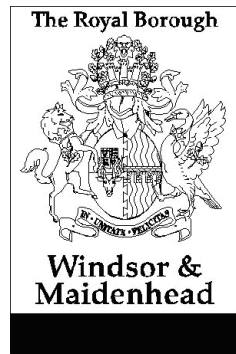


Report for:
ACTION



Contains Confidential or Exempt Information	NO – Part I except for Appendix 1 - Part II -Not for publication by virtue of paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972.
Title	Trading Activities Update
Responsible Officer(s)	Simon Fletcher Strategic Director for Operations & Customer Services and Russell O’Keefe, Strategic Director Corporate & Community Services
Contact officer, job title and phone number	David Thompson, MD RBWM Property Company Ltd
Member reporting	Cllr Simon Dudley, Leader of the Council and Lead Member for Housing
For Consideration By	Cabinet
Date to be Considered	28 July 2016
Implementation Date if Not Called In	9 August 2016
Affected Wards	All

REPORT SUMMARY

1. This report provides an update to Cabinet on the activities, priorities and progress of the Council’s trading companies.
2. The initial focus and priority since April 2016 has been to establish a dedicated and wholly owned Property Management and Development Company (RBWM Property Company Ltd) capable of developing a housing portfolio to meet the needs of the commercial and affordable housing market through which the Royal Borough’s key worker private rental property portfolio will be managed.
3. The Council’s former trading company ‘Two5Nine’ has been re-designated as RBWM Property Company Limited with a mandate to manage and maximise the return on the property portfolio accessing existing Section 106 monies allocated for affordable housing of around £2.6m.
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.

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. Residents will be able to access an affordable housing portfolio that will aid the recruitment/retention of key workers and provide an ongoing revenue stream that will mitigate reductions in future funding	1 April 2017

1. DETAILS OF RECOMMENDATIONS

RECOMMENDATION: That Cabinet:

- i) **Notes the content of the report**
- ii) **Receives an update on trading activities three times per annum**
- iii) **Be presented (dependent on the level of budget required) with a business case for approval that covers all the financial implications for each property prior to any work commencing with a recommendation to add the appropriate S106 funded budget to the capital programme.**

2. REASON FOR RECOMMENDATION(S) AND OPTIONS CONSIDERED

Strategic context

- 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. Trading to generate efficiencies, surpluses/profits and charging to recover the costs of providing a discretionary service are options being considered to meet local needs through delivering value for money, sustaining communities and providing choice.
- 2.2. 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. In addition the creation of a traded service to enter a market can be used to condition and manage prices for essential services and where there is a shortage of competition to keep pricing in check.
- 2.3. 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.
- 2.4. The Council had previously established a company 'Two5Nine' Ltd for general trading activities and through the acquisition of the shares in Covanta RBWM Ltd established RBWM Commercial Services. 'Two5Nine' has recently been renamed 'RBWM Property Company' Ltd to reflect its focus and primary purpose as a property management and development Company whilst RBWM Commercial Services currently manages the Council's interest in its food and green waste contracts with Agrivert.
- 2.5. The 'Delivering Differently' project is looking at a number of initiatives for commercial trading and charging across the Council (such as Revenues & Benefits and Permitting & Licensing) where it is believed the Council have a competitive edge and skill that would enable it to access potential growth opportunities outside of the Borough. Consideration is being given to a number of different delivery vehicles such as public/private joint ventures each of which will be considered on a project by project basis as the business cases develop.
- 2.6. 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 focused on providing key worker accommodation.

- 2.7. The Council has recently allocated the use of £2.6m of S106 monies to be used for the development/refurbishment of existing Council and other owned properties that can be used as affordable/key worker accommodation. Given that no budget currently exists approval for each project or for a group of projects would be required.
- 2.8. Given the more 'arms length' nature associated with the use of trading entities it is proposed that in order to provide full transparency their activities are reviewed by Cabinet initially three times per annum to allow for a review of budgets, accounts and business plans.

RBWM Property Company Limited

- 2.9. The Royal Borough's trading company, 'Two5Nine', managed existing residential property rented out by the Council. Recognising the need to increase the breadth of its property activities, particularly in relation to housing, this company has been renamed RBWM Property Company Limited, a company wholly owned by the Royal Borough but operating separately from it. Provision of properties at affordable rents for key workers is a priority focus for the company.
- 2.10. It is anticipated that within a period of approximately two years (subject to planning) that the company will manage between 50-60 affordable units for rental purposes generating £450k pa in rental income with an asset portfolio of £20m.
- 2.11. The primary focus, however, of the company during the 2016/17 financial year is to build up its property portfolio and to enable the renovation/refurbishment of a number of existing Council owned properties in order to provide suitable 'key worker' accommodation, enhance the value of existing assets and generate an ongoing rental income stream as from 1st April 2017.
- 2.12. The June Cabinet agreed the use of S106 monies to undertake property refurbishments and property purchases for affordable/key worker accommodation and for the Council to carry out such works before transferring those properties at a peppercorn value to RBWM Property Company Ltd for it to manage.
- 2.13. As outlined at the June Cabinet a number of Royal Borough properties have been identified as suitable for housing redevelopment together with some other sites that might be available for purchase and development. The initial programme of works will bring six sites to market as key worker accommodation for around 20 key workers by the end of March 2017, dependant on planning and property/land condition.

Table 1: Property list – Phase 1, 2016-2017

Site
Ex-caretakers House, 99 Vansittart Rd, Windsor
The House, 16 Ray Mill Road East, Maidenhead
Family Centre, Mill House, 18-20 Ray Mill Road East, Maidenhead
5a Bell Lane, Eton Wick and 18a Hampden Road, Maidenhead
The Bocket, 15 Boyn Hill Avenue, Maidenhead

Table 2: Property list – Phase 2, 2017-2018

Site
Development Site, Ray Mill Road East, Maidenhead
St Edmund's House, Ray Mill Road West, Maidenhead

Caretakers House, Riverside School, Cookham Road, Maidenhead
Mokkatam, Altwood Bailey, Maidenhead
Empty house purchase Wraysbury
Private land purchase Wraysbury

2.14. Since the start of April, however, a number of surveys and studies have been undertaken on the existing property base in order to prepare the necessary planning applications and estimate the cost of works prior to any refurbishment activity taking place namely:

- A planning application has been submitted for 99 Vansittart Rd (a three bedroom property that could be utilised for shared use and for which a budget has already been allocated) in order to increase the living space and create an upstairs bathroom which will allow for shared use. Planning Officers have recommended the scheme for approval and the scheme is to be reviewed by the Windsor Urban Development Control Panel in July. Should planning be successful it is anticipated that the house will be brought back into occupation by the end of December this year.
- An architectural feasibility study has been completed with regard to the potential use of the Brocket a grade two listed building. Given restrictions with regard to room sizes and parking the use of the building for residential use is believed the only viable option and will potentially create upto six flats. Further work is underway to finalise the scheme design, prepare a draft planning application and a works budget. It is envisaged that a planning application will be submitted in September with work commencing during December 2016.
- Drawings have been prepared for conversion of the House and Family Centre at Ray Mill Rd East (creating up to 10 flats potentially) for costing and internal review with a view to submit a planning application by the end of July 2016.
- Refurbishment work should be complete on properties in Bell Lane, Eton Wick and Hampden Rd, Maidenhead by September allowing both properties to be brought back into use one of which can be used for key workers as the other already has a tenant in place.
- In addition it is the intention to sell St Edmund's House in Ray Mill Rd West and develop the site on the same basis as Ray Mill Rd East.

2.15. Given that the refurbishment programme will be undertaken prior to the transfer of properties to RBWM Property Council Ltd from within the Council (although managed on the Council's behalf by the Property Company) a business case that covers the financial implications of each property will be presented to Cabinet or Council prior to any work commencing for approval with a recommendation to add the appropriate S106 funded budget to the capital programme.

2.16. A number of options are being considered with regard to the operational management of the portfolio including the maintenance of the estate and management of its tenants along with the associated administration. In this respect a small number of housing associations and private sector providers will be invited to tender for the provision of such a service.

KEY IMPLICATIONS

3.1 As outlined in previous papers the key implications are set out in table 3 below:-

Table 3: Key implications

Defined Outcomes	Unmet	Met	Exceeded	Significantly Exceeded	Date they should be delivered by
Key worker housing delivered through RBWM Property Company Limited	Less than 18	18-20	21-22	More than 22	1 April 2017

4. FINANCIAL DETAILS

- 4.1 The proposals set out in this report in relation to RBWM Property Company Limited will be delivered through the use of Section 106 monies allocated to affordable housing. The table below shows the potential income from the development of the properties identified.

	2015/16	2016/17	2017/18
	Revenue £'000	Revenue £'000	Revenue £'000
Addition	£0	£0	£253
Reduction	£0	£0	£0

- 4.2 Attached at Appendix 1 is the projected income for RBWM Property Company Ltd through to March 2018. A forecast profit and loss account, cash flow projection and balance sheet will be prepared in due course taking account of income from existing sources together with any relevant costs.

5 LEGAL IMPLICATIONS

- 5.1 Councils 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 Advice on both the establishment and governance of trading entities and property matters is being provided by both Trowers & Hamlins and Shared Legal Services.

6. VALUE FOR MONEY

- 6.1 The establishment of trading companies will not only provide ongoing revenue streams that will grow year on year but will also help meet Council commitments with regard to key worker accommodation.

7. SUSTAINABILITY IMPACT APPRAISAL

7.1 None

8. 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

9. LINKS TO STRATEGIC OBJECTIVES

9.1 The recommendations, if adopted, supports all four of the Council's strategic objectives; putting residents' first, value for money, delivering together and equipping ourselves for the future.

10. EQUALITIES, HUMAN RIGHTS AND COMMUNITY COHESION

10.1 An Equality Impact Assessment is currently being developed.

11. STAFFING/WORKFORCE AND ACCOMMODATION IMPLICATIONS

11.1 If approved, the recommendations in this report will provide increased options for the workforce to access affordable housing in the Royal Borough.

12. PROPERTY AND ASSETS

12.1 Key worker housing provision as part of RBWM Property Company Limited will create new revenue streams for the Council. In addition refurbishment of existing properties will enhance and increase the value of the Council's assets.

13. ANY OTHER IMPLICATIONS

13.1 None.

14. CONSULTATION

14.1 Comments from officers involved in this work across the Council have been incorporated into the report.

15. TIMETABLE FOR IMPLEMENTATION

15.1 The table below reflects the initial key priorities for the Property Company.

Date	Details
July 2016 – March 2017	Refurbishment of identified properties by RBWM Property Company Limited to deliver key worker housing.
1 April 2017	20 new key worker housing units delivered, subject to planning approval

16. APPENDICES

- Appendix 1 RBWM Property Company Projected Income 2016/17 & 2017/18. (Part II)

17. BACKGROUND INFORMATION

- Cabinet: Key Worker Accommodation 28th June 2016

18. CONSULTATION (MANDATORY)

Name of consultee	Post held and Department	Date sent	Date received	See comments in paragraph:
Cllr Simon Dudley	Lead Member	4/7/16	4/7/16 & 6/7/16	2.13, 2.16 & Appendix 1
Russell O'Keefe	Strategic Director Corporate and Community Services	4/7/16	-	-
Alison Alexander	Managing Director/ Strategic Director Adults, Children and Health	4/7/16	6/7/16	Appendix 1
Simon Fletcher	Strategic Director Operations and Customer Services	4/7/16	4/7/16	-
Richard Bunn	Interim Head of Finance	4/7/16	-	-
Chris Targowski	Cabinet Policy Manager	4/7/16	-	-

REPORT HISTORY

Decision type:	Urgency item?
Key decision 28th July 2016	No

Full name of report author	Job title	Full contact no:
David Thompson	MD RBWM Property Company Ltd	01628 796956