

TELFORD & WREKIN COUNCIL

**CABINET - 2 JANUARY 2020
COUNCIL - 23 JANUARY 2020**

HOUSING INVESTMENT PROGRAMME UPDATE

REPORT OF THE ASSISTANT DIRECTOR: FINANCE & HUMAN RESOURCES

LEAD CABINET MEMBERS – CLLR DAVID WRIGHT & CLLR LEE CARTER

PART A – SUMMARY REPORT

1.0 SUMMARY OF MAIN PROPSALS

- 1.1 The Housing Investment Programme was established to deliver a portfolio of properties for private and affordable rent, responding to the Borough's housing needs, driving up the quality of the rental sector, regenerating brownfield land and creating local jobs. The programme also generates a long term income stream for the Council which is used to protect frontline services.
- 1.2 **Nuplace Limited, the Council's wholly owned housing company, was incorporated in April 2015.** This report provides an annual update on achievements over the last year and committed developments.
- 1.3 **Nuplace's housing portfolio has increased to 329 homes over the past year, of which 44 are affordable.** Planning permission has also been secured for a further 91 properties across two sites, which will bring Nuplace's portfolio to 420 by 2020. 19 of these are specialist needs dwellings, located on a site adjacent to the Princess Royal Hospital and will **provide a high quality housing choice for people with a range of mobility issues.**
- 1.4 Nuplace's growing portfolio now provides a range of homes across the Borough with houses available within **North and South of Telford, including affordable homes in Newport.**
- 1.5 Nuplace now have circa **800 people living in our Nuplace properties** across seven sites.
- 1.6 Lettings across the portfolio remain strong, with **voids for the financial year 2018/19 contained at 2.42%, which is below the Business Case assumption of 5%.**
- 1.7 The programme has resulted in **over 23 acres of brownfield land being regenerated, addressing sites that might otherwise blight communities.**
- 1.8 The programme is also delivering added value in terms of **local employment, apprenticeships, supply chain development and the delivery of a range of community projects.**
- 1.9 Nuplace generates income to the Council from a variety of sources, including services supplied and interest on debt finance. **Since 2015/16 Nuplace has generated a cumulative net incremental income of £3.242m to the Council.**
- 1.10 The Council will also benefit from Council Tax and New Homes Bonus as appropriate on the housing stock delivered. **This is estimated to have generated an additional £526k since 2016/17, rising to £700k in 2019/20.**

2.0	RECOMMENDATIONS
2.1	That Cabinet note progress made in the delivery of the Housing Investment Programme.
2.2	That Cabinet note financial performance for the year 2018/19 and the impact of Nuplace’s operations on the Council’s budget position.
2.3	That Cabinet recommends to Full Council, the approval of an extension to the Nuplace Loan Facilities Agreement of £5.0m, the rate and terms to be delegated for approval to the Council’s s151 officer in consultation with the Cabinet Member for Council Finance & Service Delivery.

3.0 SUMMARY IMPACT ASSESSMENT

COMMUNITY IMPACT	Do these proposals contribute to specific Priority Plan objective(s)?	
	Yes	Regenerate those neighbourhoods in need and work to ensure that local people have access to suitable housing
	Will the proposals impact on specific groups of people?	
	Yes	In addition to meeting general housing need, the delivery of accessible and adaptable properties will increase the availability of high quality housing within the Borough for people with mobility issues.
TARGET COMPLETION/ DELIVERY DATE	Indicative timescales for the delivery of future phases of the programme are included within Section 4.0 of this report.	
FINANCIAL / VALUE FOR MONEY IMPACT	Yes	Refer to Section 5.0.
LEGAL ISSUES	Yes	Refer to Section 6.0.
OTHER IMPACTS, RISKS & OPPORTUNITIES	Yes	Refer to Section 7.0
IMPACT ON SPECIFIC WARDS	No	Borough wide

PART B – ADDITIONAL INFORMATION

4.0 INFORMATION

- 4.1 The Housing Investment Programme (HIP) is a strategic programme, delivering a portfolio of properties for private and affordable rent, and in so doing seeking to;
- Respond to the borough’s housing need for quality rental homes and places to live and supporting the Council’s ambitious growth agenda and major investment into the Borough;
 - Raise the standard of rental provision in the Borough, both in terms of the quality of the rental homes and the quality of the landlord service;
 - Regenerate brownfield and stalled sites.

- Stimulate local economic growth through job creation during both the construction and operational phases of the Programme;
- Protect Council jobs by utilising these roles in the development, management and maintenance of the portfolio of rental properties; and
- Generate a long term income stream for the Council that can contribute towards the protection of frontline services otherwise affected by budgetary constraints;

Nuplace Ltd is the Council's chosen delivery vehicle for the programme.

4.2 Progress: July 2018 to Present

Growing and Diversifying the Portfolio

4.2.1 Nuplace's fourth year of operation has been focussed on maintaining high levels of occupancy across existing sites as well as delivering a further 39 homes, including 6 affordable, at Coppice Court, Snedshill (images shown below). This site, completed in May 2019, is proving to be a popular addition to the portfolio with strong lettings and rental levels across all properties.



4.2.2 The success of the development at Coppice Court prompted Nuplace to assemble a development proposal on the adjacent Homes England site involving Lovell as developer and registered provider, whg. This culminated in planning permission being granted for 76 homes in August 2019. Of these, Nuplace will own 37 for private rent, with whg taking the balance for a mixture of shared ownership and affordable rent homes, including six bungalows. The development responds to the continued demand for larger private rent properties as well as affordable and accessible dwellings. Works started on site in September 2019, with Nuplace's units due to be complete in Autumn 2020. The Nuplace homes were released to the market on 5 November 2019 and 60% of the properties

were reserved within the first two days demonstrating the continuing demand for Nuplace's high quality rental offer.

- 4.2.3 In July 2019, Nuplace secured planning permission for a 54 home development off St Pauls Drive, Dothill (Maple Fields), comprising of 35 general needs homes, alongside 13 accessible and adaptable dwellings and 6 wheelchair user dwellings. Planning approval facilitated the purchase of the site from Homes England and works commenced immediately with first handovers expected in early Summer 2020. Works are due to be complete by the end of the year. The development proposals will deliver a mixed occupancy, inter-generational community which enables people to live independently and age well in their homes. Whilst evidence suggests a significant undersupply of such accommodation, demand for this on a market rent basis is untested locally, and as such this scheme provides an innovative and vital pilot into future provision opportunities for the Housing Investment Programme and the Council as a whole.

Due to the proximity of the Maple Fields site to Princess Royal Hospital (PRH), Nuplace have been working with the NHS Trust to agree an 'early bird' offer to trainee doctors. Convenient and appealing housing, in close proximity to the hospital will assist the Trust with both recruitment and retention, helping to safeguard high levels of care at the hospital. In addition, Nuplace have also been working with colleagues in Adult Social Care to identify options for up a number of the accessible properties to house vulnerable people who, for a variety of reasons, are struggling to find appropriate accommodation within the Borough.

Maple Fields Site / Development Progress as at November 2019 – image below:



- 4.2.4 The delivery of these developments will bring Nuplace's portfolio to 420 as summarised in the table below:

	Phase	1 bed	2 bed	3 bed	4 bed	Total	Adaptable / Accessible	Affordable Units	Handed Over
Site									
Pool View (Randlay)	1	0	13	18	0	31	0	0	31
Woodland Walk (Madeley)	1	0	13	85	3	101	0	0	101
The Oaklands (Dawley)	2	0	32	15	0	47	0	0	47
Miners Walk (Madeley)	2	0	36	17	0	53	0	0	53
Blossom Walk (Hadley)	2	0	19	6	0	25	0	3	25
Springfields (Newport)	2	0	25	8	0	33	0	33	33
Coppice Court (Snedshill – Phase 1)	3	0	21	13	5	39	0	6	39
Rowan View (Snedshill - Phase 2)	3	0	10	21	6	37	0	0	0
Maple Fields (Dothill)	3	4	15	20	15	54	19	2	0
Total		4	184	203	29	420	19	44	329
Percentage		1%	44%	48%	7%	100%	5%	10.48%	72.38%

Rental Income

4.2.5 The completion of a number of sites has led to positive rental incomes being received for 2018/19, with gross income for the year being £2.1m, compared to £1.2m in 2017/18. This income has been supported by continued strong management of the portfolio which have kept void levels to a minimum, currently sitting at 2.42% compared to a modelled level of 5%.

Tenant Testimonials - Why Nuplace?

4.2.6 The strong performance of the portfolio is a reflection of the quality of housing and management service that Nuplace provide – here’s what our tenants say about us:

Testimonial One:

Last year Shaquille moved from his family home in St George’s to his first home of his own. Shaq had been thinking about moving out for a while when his friend told him about the new homes in Hadley. After getting in touch with the team he choose his 2 bedroom apartment at Nuplace’s Blossom Walk development and moved in a few months later. Here’s what Shaq told us.

“I’ve always wanted my own home but before buying I wanted to see if I could manage living on my own – it’s such a big commitment but I love my home, and I must say it’s worth every penny.

I loved being able to choose my apartment off plan – although I had to wait for it to be built that time gave me chance to save before I moved in.



It's hard to say what I love the most. The apartment is so spacious - I have an ensuite plus a main bathroom so it's perfect for when friends visit. Nuplace have also been so easy to get in touch with when I have a problem, which really puts my mind at ease.

I would definitely recommend Nuplace to anyone who is looking to make that big move into their first home. It's been the perfect stepping stone for me."

Testimonial Two:

Rosemary has been living in her 3 bedroom house in Newport with her partner since spring, having moved from Wrockwardine Wood in Telford to be closer to their young family.



Last year was a very exciting year for Rosemary - as well as moving house she also retired from work. She now enjoys filling her days by taking care of her two grandsons whenever she can.

Her home is decorated to an immaculate standard and with a bedroom just for her grandsons, football goals in the garden and a toy box in the living room it's clear they keep her busy!

"I couldn't wait to move closer to them and help out where I can – I love nothing more than walking them back to my house after school.

As well as living close to my family, it was important to me that I was close to other local amenities as I can't drive. The doctor's surgery within walking distance is fantastic and it's just a short walk into town. I am always visiting the shops now, it's become my new hobby!"

Rosemary was lucky enough to reserve her home with Nuplace shortly after they were released and enjoyed choosing her own plot.

"I can't help but feel assured knowing that Nuplace is owned by the council. So far any issues I have had with it being a new build property have been sorted quickly for me.

I love the space I have downstairs and the fact I can have a dining table in my kitchen. We love sitting at the table and looking into our garden, it's such a private space."

Enhancing the Portfolio

4.2.7 Using feedback on earlier phases of Nuplace's developments received from tenants and the development, property management and maintenance teams, a number of specification enhancements have been introduced on Coppice Court, Rowan View and Maple Fields. These include upgrades to flooring, taps, sinks, kitchen units and lighting to enhance the look and feel of the dwellings, ensuring we are able to command good rents and sustain tenancies. At the same time, these improvements should reduce our expenditure on both reactive and planned maintenance moving forward.

In addition to the above, improved detailing to property elevations, landscaping enhancements etc. have improved the appearance of these developments, bringing them firmly in line with what you would expect to see on a high quality "for sale" site. These improvements have largely been delivered within agreed contract sums, by working with Lovell to deliver cost savings elsewhere.

Delivery on Time and to Budget

4.2.8 Cost certainty is critical to Nuplace, as viability assessments undertaken pre development are based on the proposals achieving returns on investment above a number of threshold levels.

A review of construction contract expenditure, against budgeted figures clearly shows how long term partnering is working to de-risk developments and deliver cost certainty as well as value. Across the seven contracts completed to date, expenditure has been only 0.30% above the agreed contract value. This is well within the average project contingency of 2%, and has led to an underspend against projected expenditure, which has been made available for reinvestment into future phases of the programme.

To date, four of the seven completed contracts have been delivered on time, one early and the remaining two with a total delay of four weeks arising from unforeseen circumstances. Wherever possible, plots are handed over early to suit tenants and improve Nuplace's revenue position. Working closely with the Housing Management Team, Nuplace have been able to offer properties to tenants early (where construction programme allows).

Added Value

4.2.9 Nuplace's construction supply chain in the Borough continues to be strong, with a total of £3.46m being spent with local contractors to date. Percentage spend within the Borough has also increased over the phases of development as Lovell have continued to engage with the local supply chain as shown below:

	% spend of contract value with Borough based contractors
Phase 1	5.53%
Phase 2	8.19%
Phase 3	14.35%

4.2.10 Lovell remain committed to promoting education and training and through contracts awarded by Nuplace they have been able to deliver:

- Over 1,400 hours of direct apprenticeships.
- Over 3,500 hours of Subcontract apprenticeships.
- Over 2,000 hours of management trainee time.

4.2.11 In addition, Lovell continue to engage positively with the local community with their Hands-on Help scheme, launched in May 2018, being a huge success. Over 20 applications were received from community groups and not for profit organisations looking for assistance with small scale building projects. Following interviews with a shortlist of applicants, the following two projects were chosen:

- Donnington Community Hub: Lovell organised and funded the painting and decorating of three large rooms in this building which provides a range of invaluable community facilities for local residents.
- Sutton Hill Community Church: Lovell funded and installed a brand-new, made-to-measure fire door to replace an existing door which was damaged.



Overall Lovell invested around £5,000 in materials and labour and we are in the process of organising a similar scheme this year.

Unlocking Brownfield Land

4.2.12 The delivery of the site at Maple Fields, Dothill, will bring a further 3.45 acres of brownfield land into use, bringing the total amount of brownfield redeveloped, as part of the programme, to 23.43 acres.

4.3 Development Proposals 2019/20

General Needs Homes for Private Rent

4.3.1 The private rented sector in the Borough continues to grow and Nuplace's high quality housing and lettings offer continues to be a popular way for renters to access good quality, secure homes.

In this context, Nuplace are keen to continue to grow their portfolio and maximise opportunities for development within the current funding envelope. The available funding is likely to deliver a further 60 units and viability appraisals are currently being developed on a number of sites for a mix of one, two, three and four bedroom homes. It is envisaged that planning applications will be submitted on the preferred sites towards the middle of next year.

In parallel with this, a business case for future, large scale investment to underpin the expansion and diversification of the Housing Investment Programme is being developed and will be brought to Cabinet in Spring 2020.

Climate Change

4.3.2 The Council have made a commitment to become carbon neutral across Council operations by 2030, with an aspiration to do the same Borough wide. Nuplace are currently exploring options that could assist in achieving this.

5.0 FINANCE

5.1 Capital allocations for the Housing Investment programme, totalling £64.4m, are contained within the Council's Service and Financial Planning Strategy. Of this, £41.2m has been spent as at 31 March 2019, with a further £16.2m allocated to sites in development. Therefore, £7m remains unallocated for future schemes. Capital is

allocated to sites based upon feasibility criteria with the rate of return for each investment being dependent upon a range of parameters and reviewed by the Council's Finance department on a case by case basis.

- 5.2 The Council invests capital into the Company through either debt or equity finance and demands a commercial return on both. The rate of return on debt finance is currently 5.29% and the hurdle rate for the long term rate of return on equity finance is set at 6%. The Council's debt funding to Nuplace is governed by a £40m, 30 year facility and the future development proposals identified at 4.3.1 of this report will require an extension to this facility taking it up to £45m. Work will be undertaken to agree an interest rate on this additional loan finance based upon current market factors and external advice. The Section 151 Officer will be consulted on any changes to the commercial terms of the funding as set out in the Housing Investment Programme Board, Terms of Reference, and the amendment will be approved by the HIP Board. Further capital spend can only be undertaken once the loan facility has been extended.
- 5.3 Nuplace generates income to the Council from a variety of sources, including services supplied and interest on debt finance. The Council will additionally benefit from Council Tax and New Homes Bonus as appropriate on the housing stock delivered.

6.0 LEGAL

- 6.1 The Council has the power to carry out the recommendations contained within this report but must adhere to State Aid requirements when considering providing any loan facility or capital investment. Legal advice will be given in this regard to ensure that any aid provided to Nuplace is State Aid compliant by being provided on commercial terms.

7.0 IMPACT ASSESSMENT

- 7.1 As the HIP has become established, risk factors have largely reduced as assumptions within the original Business case have been tested and refined.

8.0 PREVIOUS MINUTES

Housing Investment Programme Cabinet Report	25 April 2013
Housing & Property Investment Programme Cabinet Report	24 July 2014
Housing Investment Programme Full Council Report	11 September 2014
Housing Investment Cabinet Report	8 January 2015
HIP, Southwater Development Options Cabinet Report	19 March 2015
Housing Investment Programme Update	25 March 2016
Housing Investment Programme Update	29 June 2017
Housing Investment Programme Update	12 July 2018

Report prepared by Kate Callis, Housing Investment Programme Manager