

**TELFORD & WREKIN COUNCIL**

**FULL COUNCIL**

**26 NOVEMBER 2020**

**HOUSING INVESTMENT PROGRAMME - BUSINESS CASE FOR INVESTMENT**

**REPORT OF THE CHIEF EXECUTIVE**

**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, creating local jobs and generating a long term income stream for the Council to invest in frontline services.
- 1.2 This report provides an update on achievements to date, and presents for consideration an updated Business Case, which outlines a future pipeline of schemes.
- 1.3 To date Nuplace have **delivered 329 homes across seven sites with a further 137 under construction or due to commence on site**, bringing the total number of houses delivered, or in delivery to 466. Of these properties, **55 are for affordable rent**, with the remainder being rented on the open market.
- 1.4 Nuplace's growing portfolio now provides a range of homes for over 1,000 people across the Borough with houses available within **North and South Telford and Newport**.
- 1.5 At **Maple Fields in Dothill, 19 of the 54 homes have been built to accessible and adaptable standards** and designated for people over 55 or those with a demonstrable need, allowing people to remain living independently for longer in their homes.
- 1.6 In response to the Council's commitment to become carbon neutral across Council operations by 2030, **solar panels and electric car charging points are being installed to 46 homes off Southwater Way** to reduce energy bills for tenants and work to address fuel poverty.
- 1.7 The programme has resulted in **over 28.6 acres of brownfield land being regenerated, addressing sites that might otherwise blight communities**.
- 1.8 At the date of this business case, all 329 completed homes are fully occupied, reflecting the high level of property and management service being delivered by Nuplace. **Voids are running at 1.88% cumulatively since the first site was opened, which is well below projected levels of 3%.**
- 1.9 For the year ended **31 March 2020, the company delivered a profit of £2.087m before interest and taxation** and £0.427m after interest and taxation, which was in line with current expectations.
- 1.10 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 £4.4m to the Council.**

- 1.11 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 £1.015m cumulatively to the end of March 2020.**
- 1.12 The Nuplace investment portfolio has experienced strong capital growth. **Cumulative growth in the portfolio is 17% to the end of March 2020.**
- 1.13 In addition to delivering much needed housing, the programme has delivered considerable added value in terms of **local employment, apprenticeships, supply chain development and the delivery of a range of community projects.**
- 1.14 With an established and positive track record of delivery and management, the report identifies **a possible pipeline of schemes which have the potential to grow and further diversify the portfolio.**
- 1.15 These schemes also seek to effectively **respond to established, new and emerging Council policy relating to Housing, Specialist & Supported Housing, sustainability and climate change.**
- 1.16 The proposals have the potential to **deliver an additional 320 homes across seven schemes bringing Nuplace's portfolio to 786 units.**

## **2 RECOMMENDATIONS**

- 2.1 That Full Council note the revised Business Case included at Appendix 1 of this report.**
- 2.2 That Full Council note the allocation of £38.5m from the Regeneration and Investment Fund to support the developments as set out in this report.**
- 2.3 That Full Council approve an extension to the Nuplace Loan Facilities Agreement of £36m, the rate and terms to be delegated for approval to the Council's s151 Officer in consultation with the Cabinet Member for Council Finance & Governance.**
- 2.4 That Full Council note the delegation of authority to the Chief Executive in consultation with the Housing Investment Programme Board to:**
- 2.4.1 Agree and enter into where necessary any documents, as required, to implement the recommendations contained within the revised Business Case.**
- 2.4.2 Agree and enter into where necessary any agreements, as required, for the disposal or acquisition of land required to give effect to the recommendations contained within the Business Case.**
- 2.5 That Full Council note the delegation of authority to the Associate Director: Policy & Governance to seal or sign any documents required to give effect to the recommendations contained in this report.**

### 3.0 SUMMARY IMPACT ASSESSMENT

<b>COMMUNITY IMPACT</b>	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.
<b>TARGET COMPLETION/ DELIVERY DATE</b>	Indicative timescales for the delivery of future phases of the programme are included within Section 4.0 of this report.	
<b>FINANCIAL / VALUE FOR MONEY IMPACT</b>	Yes	Refer to Section 5.0. DR 28/9/20
<b>LEGAL ISSUES</b>	Yes	Refer to Section 6.0.
<b>OTHER IMPACTS, RISKS &amp; OPPORTUNITIES</b>	Yes	Refer to Section 7.0
<b>IMPACT ON SPECIFIC WARDS</b>	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;
  - Generate a long term income stream for the Council that can contribute towards the protection of frontline services otherwise affected by budgetary constraints;
  - Enhance the Council's knowledge and expertise of housing delivery and management, through the use of in-house resources to undertake the development, management and maintenance of the portfolio of rental properties;
  - in the development, management and maintenance of the portfolio of rental properties;
  - Stimulate local economic growth through job creation during both the construction and operational phases of the Programme; and
  - Regenerate brownfield and stalled sites.

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

## 4.2 Achievements to Date

The programme has performed consistently well against objectives with key achievements outlined in Section 1.0 of the report. A total of ten schemes are now completed or in delivery, creating 466 new homes across an increasingly diverse range of housing types and tenures as set detailed below:

Site	1 bed	2 bed	3 bed	4 bed	Total	Adaptable / Accessible	Affordable Units
Pool View (Randlay)	0	13	18	0	<b>31</b>	0	0
Woodland Walk (Madeley)	0	13	85	3	<b>101</b>	0	0
The Oaklands (Dawley)	0	32	15	0	<b>47</b>	0	0
Miners Walk (Madeley)	0	36	17	0	<b>53</b>	0	0
Blossom Walk (Hadley)	0	19	6	0	<b>25</b>	0	3
Springfields (Newport)	0	25	8	0	<b>33</b>	0	33
Coppice Court (Snedshill)	0	21	13	5	<b>39</b>	0	6
Rowan View (Snedshill)	0	10	21	6	<b>37</b>	0	0
Maple Fields (Dothill)	4	15	20	15	<b>54</b>	19	2
Southwater Way (Malinslee)	4	18	16	8	<b>46</b>	0	11
<b>Total</b>	<b>8</b>	<b>202</b>	<b>219</b>	<b>37</b>	<b>466</b>	<b>19</b>	<b>55</b>
Percentage	2%	43%	47%	8%	100%	4%	11.80%



Coppice Court, Snedshill - Nuplace's fastest letting development



Homes under construction at Maple Fields, Dothill



Planned development at Southwater Way, Malinslee – incorporating solar panels and electric car charging points

This diversity of housing is continuing to deliver much needed accommodation for people at all stages of their life. The case study below demonstrates how new, accessible accommodation, at Maple Fields in Dothill is being effective in enabling people to live independently at home for longer.

*Reg and his wife Barbara from Dawley were one of the first couples to reserve a specialist property when they were announced back in April 2020 and they have told us how renting a Nuplace home is the perfect solution for them in their retirement.*

*After 18 years living in their semi-detached home Reg, 80 and Barbara, 75 can't wait to move into their brand new detached bungalow before the end of the year. After experiencing different health issues they had decided they needed to move into a bungalow as using the stairs in their current home was becoming more and more difficult.*

*Reg commented: "We'd been considering moving home for a while when we heard about the new Maple Fields development by Nuplace. When we spotted they had bungalows and ground floor properties available we became very excited at the prospect of no longer having to struggle when using the stairs at home.*

*"After studying the site plan we knew we wanted a bungalow which was ideally wheelchair accessible and we finally decided the Birch was the property for us. Although we are yet to move in, the open plan living arrangements look great and the property looks extremely adaptable for our needs. The fact that we have the option of installing a walk in shower is just the type of flexibility we need to make the home our own."*

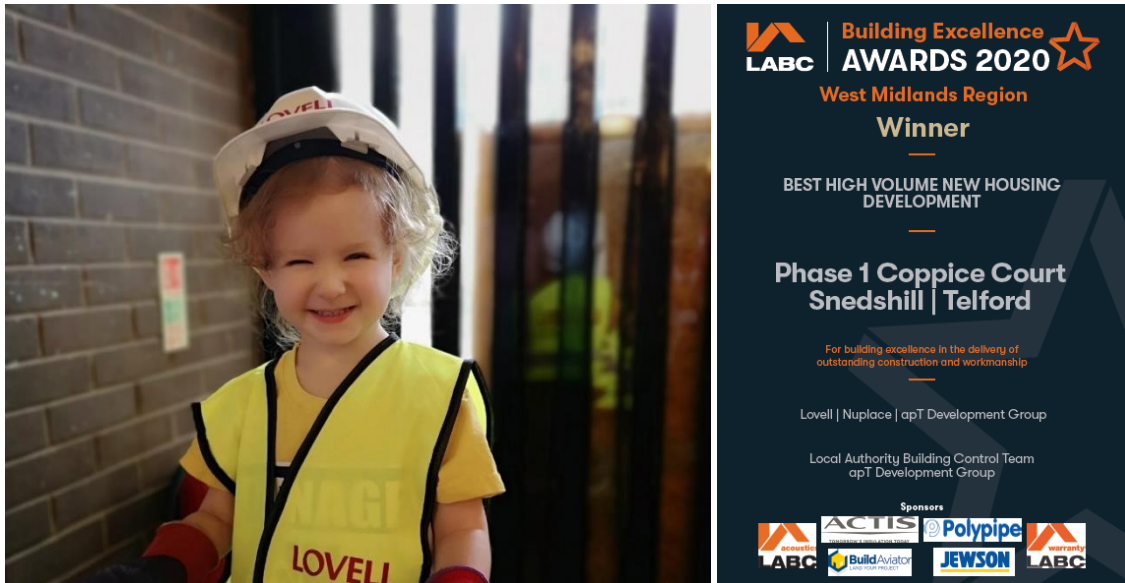




In addition, the programme continues to deliver considerable added value in terms of brownfield land regenerated and local supply chain spend as summarised below:

Site	Brownfield land brought back into use (acres)	% Spend with Local Contractors (within 30km)
Pool View (Randlay)	2.35	63%
Woodland Walk (Madeley)	6.55	58%
The Oaklands (Dawley)	3.78	69%
Miners Walk (Madeley)	4.77	65%
Blossom Walk (Hadley)	1.19	64%
Springfields (Newport)	1.33	69%
Coppice Court (Snedshill)		63%
Maple Fields (Dothill)	5.56	52%
Rowan View (Snedshill)		20%
Southwater Way (Malinslee)	3.04	
<b>Total / Average</b>	<b>28.57</b>	<b>58%</b>

This is alongside wider added social value benefits delivered through work with local community groups, schools and charities as well as training and apprenticeships delivered directly and via the supply chain.



### 4.3 Market Conditions

The private rental market continues to grow with around 20% of properties in the borough now being privately rented. The make-up of renters also continues to change with this becoming an increasingly diverse sector with people looking to rent for a variety of reasons, no longer just because of affordability. Over half of renters are now families as opposed to single people or couples. Furthermore, half of renters are now classified as “high income”, whereas historically renting was associated with lower income groups. There is also an increasing body of evidence to support a significant growth in the number of older people selling existing homes to pay off debts, boost retirement income, help children or letting the family home to downsize, thus entering the private rental market at a later stage.

These findings were reinforced at a local level following research undertaken by Housing LIN in 2018. Housing LIN are a leading ‘knowledge hub’ on specialist housing and work across the sector to promote best practice in the delivery of a range of specialist housing types and tenures. Their comprehensive research reviewed current and future demand for specialist accommodation for older people and concluded that;

*“the current supply of older people’s housing and limited development activity, in the context of the assessed future demand for older people’s housing, indicates that there will be unmet demand for a range of types of older people’s housing, particularly in relation to market rent tenures.”*

This increase in quantity and diversity of demand for rental properties is reflected in increased supply of as well as changes in rental product, with growth being greatest in relation to larger properties. Rents also continue to rise in accordance with this increase in demand with these showing a consistent upward trend, albeit below that experienced regionally and nationally.

There is also an increasing number of institutional investors in the Borough delivering a build to rent product akin to that provided by Nuplace but despite this, demand for Nuplace homes remains high with voids running consistently below modelled levels. There is no doubt that the status of Nuplace as wholly owned by the Council provides confidence and security to renters and opportunities to emphasise this link are now being maximised in all marketing and promotional literature.

#### 4.4 Regulatory & Policy Context

At a national level, growth in the private rented sector means that it has recently attracted increased political, policy and regulatory attention. Concerns about lack of affordability, inadequate management and maintenance practices, insecurities associated with short-term tenancies and no-fault evictions have come into sharper focus. There are clear signs that the direction of travel for policy in England is towards accepting the need for more active policy intervention. As Nuplace look to further grow their portfolio, due regard will need to be given to these potential policy and regulatory changes. However it is anticipated that any such changes are likely to provide further support for the high quality tenancy and property management and maintenance service already adopted by Nuplace.

At a local level, the Council's recently launched draft Housing Strategy 2020-2025, Specialist & Support Housing Strategy and climate change initiatives provide clear direction for the future of housing in the Borough, recognising the importance of new build homes as well as existing homes in meeting housing need. Nuplace is recognised as an opportunity to initiate change and the pipeline of schemes identified seeks to directly respond to all three key objectives including:

- Objective 1: Creating sustainable, accessible, affordable and integrated communities
- Objective 2: Making the BEST use of our existing homes
- Objective 3: Providing homes to support and empower our most vulnerable people, enabling them to live independently for longer.

#### 4.5 Expansion & Diversification Opportunities

A review of market, policy and regulatory conditions suggest that demand for good quality private rented homes looks set to remain a key component of the housing market, offering opportunities for further expansion alongside diversification into downsizer, accessible and adaptable dwellings.

In this context, feasibility work has been undertaken on seven pipeline schemes with the potential to deliver a further 320 new homes, representing an investment of £48m (a breakdown of the £48m is set out in section 5.1). These schemes are summarised below, along with proposed levels of affordable dwellings, accessible and adaptable dwellings as well as those embodying carbon reduction measures.

Site Name	Number of Dwellings	Status	Est Capital Cost (£m)	Est Start	Est Completion	Affordable Dwellings	Specialist Dwellings	Carbon Reduction Measures
Donnington Wood Way, Muxton	70	Brownfield	10.50	Jul-21	Apr-23	(190*)	20	70
Telford & Wrekin Homes	100	Brownfield	13.00	Jan-21	Dec-23	50	0	0
Former New College, Wellington	21	Brownfield	3.40	Oct-21	Oct-22	(74*)	3	21
Former Charlton, Dothill	40	Brownfield	6.10	Jul-21	Nov-22	0	6	40
The Gower, St Georges	19	Brownfield	3.40	Jul-21	Jul-22	0	0	0
Main Road, Ketley Bank	20	Brownfield	3.10	Jan-22	Jan-23	5	3	18
Station Quarter, Telford TC	50	Brownfield	8.50	Mar-22	Mar-24	0	0	50
	<b>320</b>		<b>48.00</b>			<b>319**</b>	<b>32</b>	<b>199</b>



\*dwellings to be delivered via Housing Association partner as part of wider site delivery and therefore don't form part of Nuplace future portfolio

\*\* 55 affordable dwellings to be directly delivered by Nuplace

Scheme details, including site plans, are included within Appendix 4 of the Business Case. However, in summary:

- Proposals continue to deliver a range of housing across the borough to meet the requirements as identified within the Council's draft Housing Strategy 2020-2025 but with a continued focus on two and three bed properties, acknowledging that this is where greatest demand is.
- Proposals introduce further accessible and adaptable dwellings at four of the proposed sites, building on the pilot at Maple Fields and directly responding to recommendations made by Housing LIN and embodied within the Council's Specialist & Supported Accommodation Strategy. These new homes will free up dwellings which are currently under capacity and provide occupiers with a desirable alternative which allows them to remain living independently at home for longer.
- The establishment of Telford & Wrekin Homes is an important diversification for the Housing Investment Programme which involves acquiring, refurbishing and renting out properties at locations across the borough. This proposal will:
  - Further disseminate the good work of the Housing Investment Programme in raising standards in the private rented sector.
  - Ensure that we are protecting and investing in our existing housing stock and making the BEST use of our existing homes and;
  - Provide an opportunity to use these properties to provide housing options for a range of priority client groups, including for example care leavers, key workers as well as vulnerable people supported by Children's and Adults' Services. This directly links to objectives within the Council's draft Housing Strategy which seeks to ensure that our most vulnerable people have access to safe and appropriate housing which enables them to live independently and maximise their potential. As such this housing will be linked to allocation policies for these key groups and be available on private rent and affordable basis as appropriate.
- The proposals for The Gower, St Georges and Main Road, Ketley involve bringing redundant historical buildings back into use, safeguarding their future whilst at the same time providing bespoke new living spaces. The viability of these proposals will be supported by the delivery of adjacent new build housing.
- Schemes at Donnington Wood Way, former New College, former Charlton and Station Quarter will form part of wider schemes comprising of a range of housing types and tenures, seeking to deliver new, intergenerational and mutually supportive communities.
- The introduction of housing into the Town Centre as part of the Station Quarter regeneration proposals, represents an important step change in our town, providing connected and accessible urban living and working space that will set the tone for all future housebuilding in the Centre. Most importantly it will create the accessible and aspirational housing that will help attract and retain younger workers within the high tech and digital sectors, whilst also providing accommodation for key workers in areas where there are problems with recruitment.

The schemes will deliver:

- The regeneration of a further 18.31 acres of constrained, brownfield land.
- The refurbishment of redundant homes and buildings to create new and improved dwellings.
- Accessible and adaptable housing for older people and/or those with a demonstrable need.

- Housing developments which contribute towards the Council’s carbon reduction agenda, protect the environment and enhance biodiversity.
- Housing that is as far as possible future proofed to meet changing needs and requirements arising out of the Covid 19 pandemic.
- Housing which continues to raise the standard of rental provision, both in terms of the quality of the rental homes and the landlord service.
- Housing which secures a positive rental stream and at the same time maximises the gross development value (GDV) of Nuplace’s portfolio to deliver both short and long term financial benefits.

The proposed pipeline of schemes will bring Nuplace’s portfolio to circa 786 units, although the exact number of additional units can only be determined once further detailed feasibility work has been undertaken to determine deliverability and viability and specific sites agreed. A progression of a scheme to planning and then construction will be subject to the HIP Board being satisfied that a series of conditions have been met. Furthermore, new schemes may be added to the pipeline at the discretion of the HIP Board, subject to these being contained within the approved funding envelope. An annual update to Cabinet will report on scheme progress and provide justification for schemes having been included or excluded from the pipeline.

It should be noted that in many cases the Nuplace housing component forms part of a wider residential scheme where an affordable element is being provided on site by a Housing Association partner, enabling Nuplace to complement this with a private rented offer.

## 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, £47.2m has been spent as at 31 March 2020, with a further £17.2m allocated to sites in development. Further capital allocations totalling £48m are now requested in this Cabinet Report (£38.5m) and a Report dated 18<sup>th</sup> June 2020 (£9.5m). This will bring the total capital allocated to the Housing Investment Programme to £112.4m. 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.

The estimated cashflow of the £48m capital allocation is summarised in the table below:

	<b>£’000s</b>
2021/22	17,400
2022/23	22,100
2023/24	8,500
<b>Total</b>	<b>48,000</b>

- 5.2 The Council invests capital into the Company through either debt or equity finance and demands a commercial return on both. The Council’s debt funding to Nuplace is governed by a 30 year facility agreement, whereby interest on the debt is charged at a fixed rate of 5.29%, and an additional £5m extension to this agreement with interest charged at a fixed rate of 5.18%. These rates were set by reference to State Aid requirements and the level of collateralisation in the company. The further £48m capital allocations detailed in this report will require additional debt finance to be forwarded to Nuplace of circa £36m, to maintain the estimated debt to equity ratio of the company. The interest rate to be charged on this debt finance will be calculated in line with agreed procedures. Approval for the terms of the facilities agreement including the rate on debt

finance will be in consultation with the Section 151 Officer. The hurdle rate for the long term rate of return on equity finance is set at 6%.

- 5.3 Nuplace generates income to the Council from a variety of sources, including services supplied and interest on debt finance. Income received over the 5 year period to 31 March 2020 is summarised in the table below. The Council will additionally benefit from Council Tax and New Homes Bonus as appropriate on the housing stock delivered.

£'000s	Cumulative 5 years 19/20
Services income	1,796
Interest income	4,876
<b>Total income</b>	<b>6,672</b>
PWLB cost of debt finance (short term cost of debt)	(1,425)
Other marginal Council costs	(830)
<b>Net incremental income</b>	<b>4,417</b>

- 5.4 The Nuplace portfolio additionally experiences strong capital growth, through annual valuations being undertaken by professional valuers. The investment portfolio has experienced capital growth of 17% over cost of construction to the period ended 31 March 2020.

## 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 and in accordance with the published State Aid reference rates for the additional loan.
- 6.2 In 2017, approval was sought to grant further decision making delegation to the Chief Executive in consultation with the Board to order to enable the Housing Investment Programme and company to operate more commercially. These additional delegations were not considered to contravene the Teckal exemption in any way. Delegation to the Chief Executive in consultation with the Board has proven to be a successful way of managing the operations of the programme and the company robustly and ensuring good governance and accountability is achieved whilst also recognising that the nature of the programme is such that decisions often need to be made swiftly.

## 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. An updated risk register is included at Appendix 5 of the Business Case.

## 8.0 PREVIOUS MINUTES

Telford Town Centre	21 July 2009
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  
Housing Investment Programme  
Local Growth Fund - Stronger Communities

12 July 2018  
2 January 2020  
18 June 2020

**Report prepared by Kate Callis, Service Delivery Manager - Housing Investment Programme**