

**TELFORD & WREKIN COUNCIL****CABINET - 10 JUNE 2021****HOUSING INVESTMENT PROGRAMME - TELFORD & WREKIN HOMES****REPORT OF DIRECTOR: PROSPERITY AND INVESTMENT****LEAD CABINET MEMBERS – CLLR DAVID WRIGHT & CLLR LEE CARTER****PART A – SUMMARY REPORT****1.0 SUMMARY OF MAIN PROPSALS**

1.1 In November 2020, an update to the Business Case for the Housing Investment Programme was presented to and approved by Cabinet. This Business Case established a pipeline of schemes delivering up to 320 new and refurbished homes. This pipeline included the acquisition of circa 100 existing homes for a mixture of private and affordable rent as opposed to the delivery of homes on a build to rent basis. This element of the programme represents a capital investment of £13m.

1.2 This paper provides an update on progress in relation to this element of the programme and in particular:

- Identifies the first tranche of properties for investment.
- Presents branding for consideration and approval
- Sets out proposals for increasing the portfolio of Telford & Wrekin Homes.

**2 RECOMMENDATIONS**

**2.1 That Cabinet note progress made to date in relation to Telford & Wrekin Homes and the acquisition of the first tranche of properties.**

**2.2 That Cabinet approve the branding proposals for Telford & Wrekin Homes.**

**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?	
	No	The impact of the proposals will be borough wide and has the potential to benefit a range of people.
<b>TARGET COMPLETION/ DELIVERY DATE</b>	Phased acquisition and refurbishment from March 2021.	
<b>FINANCIAL / VALUE FOR MONEY IMPACT</b>	Yes	Refer to Section 5.0. DR 21/04/21
<b>LEGAL ISSUES</b>	Yes	Refer to Section 6.0. EH 26.5.21

<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;
  - 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 In November 2020, Full Council approved an update to the Business Case for the Housing Investment Programme representing a further £48m investment, with the potential to deliver an additional 320 homes.
- 4.3 A significant part of this investment, representing a total of £13m, was ring-fenced for the acquisition and refurbishment of circa 100 houses across the Borough including a range of property types and sizes, with this acquisition to take place in a phased way.

Acquired properties are to be refurbished and rented out by Nuplace under a new sub brand – Telford & Wrekin Homes, with this element intended to provide a further product within the private rented sector in Telford & Wrekin, which continues to raise the bar in terms of property and tenancy management but which compliments the new build housing already provided by NuPlace.

- 4.4 The objectives of this element of the programme are:
1. To invest in and protect our existing housing stock through high quality renovations which help to address issues of poor housing in communities, ensuring that we are making the best use of our existing homes, in accordance with a key objective of the Council’s recently adopted Housing Strategy,
  2. To further spread the good work of the Housing Investment Programme and Nuplace in raising standards in the private rented sector across the Borough through demonstrating high quality property and tenancy management on a broader geographic scale, and
  3. To provide a “home for life” for our tenants with a focus on providing housing options for a range of priority client groups, including for example care leavers and people providing low level care, key workers, young people and veterans. This links directly to the Council’s Housing Strategy which seeks to ensure that all 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.

#### 4.5 Objective 1: Investing in Our Existing Housing Stock

The borough's homes are a major asset. While new housing is important, 80% of the homes that we will have in 20 years' time are here now. In accordance with the objectives of our Housing Strategy, we need to make sure that **the homes we already have** are as good as the best of the new ones that are being built today. The Telford & Wrekin Homes initiative provides a real opportunity to directly contribute towards this objective through the acquisition and refurbishment of existing housing stock from a range of sources. Over the past few months, the Housing Investment Programme team have been reviewing a range of possible options for property acquisition.

We are aware that some of our larger Housing Association partners have a programme of disposals across the Borough with properties being sold to support investment into new affordable housing stock. The ability of Telford & Wrekin Homes to acquire some of these properties direct from HA partners presents a unique opportunity to effectively embed the high quality private rental standards that we have established on our new build sites into areas throughout the Borough. In this way we can help to ensure this housing stock is retained, maintained and put to good use to help the community and meet housing need.

To kick-start this programme we have been in dialogue with Wrekin Housing Group (WHG), the Borough's largest HA. From their current list of forthcoming disposals we have identified 12, two, three and four bed properties at locations throughout the Borough that we are in the process of acquiring.



Refurbishment works to the properties, including the installation of new kitchens, bathrooms, redecoration and landscaping alongside condition related works to address asbestos, electrics, damp and structural damage have been identified which will ensure improved living standards, health and safety compliance and reduced repairs and maintenance liability in the medium to long term. In addition works are intended to be in keeping with Nuplace's high property standards. These homes should not feel like the "poor relation" to our new build offer. It also makes practical and financial sense to undertake works whilst the property is vacant and before letting begins in earnest.

Refurbishment works have been tendered through the Council's Dynamic Purchasing System, which is accessed by a range of Borough based contractors, providing

opportunity to maximise local spend and economic benefit. Tenders were received on 1 May, and a preferred contractor has been identified.

We are in continuous dialogue with WHG and have established a streamlined process of referral and review of all properties identified for disposal to enable this opportunity to be capitalised on to ensure a pipeline of properties is maintained. Alongside this, we have registered our interest in acquisition with other HA partners although initial indications are that these may be limited due to the lower numbers of stock they hold within the Borough and the fact that their properties are likely to be newer compared to those in WHG's ownership.

## **Objective 2: To Further Spread the Good Work of Nuplace**

When Nuplace was established in 2015, a key driver was to improve private property and tenancy management standards across the Borough, providing a benchmark for exemplary performance. With consistently strong lettings for our new build properties and voids currently running at 1.69%, well below our business case assumption of 4.39%, we have been confident that we are delivering positive outcomes in this regard.

This was further reinforced by a tenant survey conducted in December 2020 which sought views of our tenants in relation to their Nuplace experience. The survey was completed by 33% of our tenants with key findings summarised below:

- 97% of respondents would recommend Nuplace to friends and family
- 97% of tenants would consider moving to another Nuplace home
- 65% of people consider their Nuplace home to be their forever home



These results are extremely positive and demonstrate the well-respected presence that Nuplace have established in the local private rental market. In this context, the introduction of Telford & Wrekin Homes provides an important diversification, allowing the positive work of Nuplace to be spread borough wide, through the acquisition and refurbishment of properties across a wider geographic area.

In order to build on the successful brand of Nuplace, a sub brand has been developed which seeks to embody the following key messages:

- Confidence in the quality of the property and tenancy management services, despite these properties not being new build and being available at lower rents.
- Security provided by Nuplace's wholly owned status meaning that like a Nuplace home, a Telford & Wrekin Home is a home for life – this was identified by 8% of tenants as being the key reason for renting with Nuplace.
- Clarity that these properties are still owned and managed by Nuplace, the Council's wholly owned housing company, but are not "Council Housing". It will be important to communicate this effectively as there still remains some confusion over the status and tenure of housing on our new build sites which is likely to be compounded when acquiring ex Housing Association stock.
- Confirmation that tenants are part of the wider Nuplace community. Our tenants value this with development specific Facebook pages, tenant competitions etc being a popular part of being a Nuplace tenant.

The new Telford & Wrekin Homes logo is shown below. The logo uses the same type face and colours as Nuplace to provide brand continuity and build on the strong brand

identity that Nuplace has developed over the last 5 years, but with its own distinct name. A communications strategy has been developed which will provide the framework for the launch of the Telford & Wrekin Homes brand following Cabinet approval, as well as the marketing of the first tranche of refurbished properties.

It is proposed that Telford & Wrekin Homes are advertised, let and managed in the same way as any other Nuplace property. A new dedicated page will be set up on the Nuplace website to coincide with the launch of the first tranche of properties to provide an overview of Telford & Wrekin Homes as well as the properties available for rent.



### **Objective 3: To Provide Housing Options for a Range of Priority Client Groups**

The provision of housing for priority groups links directly to Objective 3 of the Council's recently adopted Housing Strategy which seeks to ensure that all people have access to safe and appropriate housing which enables them to live independently and maximise their potential.

Whilst a proportion of properties acquired by Telford & Wrekin Homes will be let at private rent levels in order to support the overall viability of the programme, it is proposed that a proportion are let at Local Housing Allowance Rates. Of the tenants who responded to our resident's survey, 47.4% said they choose to rent because they can't afford a mortgage or were saving towards a deposit. We know that the ability to save a deposit is a significant barrier to being able to get onto the property ladder, particularly for younger people and first time buyers. By enabling more people to access good quality but lower cost private rental accommodation we can support people's move towards becoming owner occupiers.



It is also our intent that a proportion of our properties are linked to an allocation policy for priority groups including key workers, veterans, young people, carers and care leavers. It is this group of people who may not be eligible for housing benefit and whose circumstances are such that they slip through the net in relation to the allocation policies of our Housing Association partners but are nonetheless in housing need. Telford & Wrekin Homes is well placed to support these people, allowing Council side property acquisition and ownership to be focussed on those higher need groups, where the Council's recently acquired Registered Provider status and ability to access exempt rents will mean that accommodation and care can be provided simultaneously.

## **5.0 FINANCE**

The acquisition and refurbishment of second hand housing stock will require an amendment to the viability parameters which Nuplace apply to the construction of new homes held within the existing portfolio, and consideration of the optimal approach for acquisition. The amended hurdle rates will ensure that the second hand housing stock will provide additionality to the existing portfolio whilst taking into account the nature of the stock. The hurdle rates will be approved in consultation with the Housing Investment Programme Board which includes the Council's s151 Officer, as part of the satisfaction of a series of conditions for the Business Case to acquire and refurbish these properties.

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 determined taking into account the external market conditions which exist at the time the loan is entered into, and the level of collateralisation in the Company. Full Council, 26<sup>th</sup> November 2020, approved the extension to the Nuplace Loan Facilities Agreement the rate and terms to be delegated for approval to the Council's s151 Officer in consultation with the Cabinet Member for Council Finance and Governance.

A viability model has been prepared for the first tranche of properties based on the following assumptions:

- Acquisition values have been based on valuations undertaken by Tempertons, jointly appointed by TWC and WHG. Stamp duty is applicable to the full amount by virtue of the purchases being treated as a linked transaction.
- Acquisition and refurbishment by TWC in the first instance, and then disposal to Nuplace
- Refurbishment works have been scoped to address a range of health, safety, and repair and maintenance issues and support the appreciation of the asset in the medium to long term.
- A contingency of 7% on the refurbishment costs. This is considered appropriate given the condition of some of the properties and the potential for further works to be required once works commence on site.
- Rent to be no greater than Local Housing Allowance rates for a proportion of the properties. Unlike with new build homes where the affordable element is determined through the planning process, we have looked to ensure here that a proportion of the refurbished properties will be affordable to householders claiming LHA.

Based on assumed purchase price and refurbishment costs for the first 12 properties, the project represents a capital investment of up to £1.8m.

## **6.0 LEGAL**

- 6.1 The Council has the power to acquire, refurbish and dispose of properties as detailed in this report and legal advice has been and continues to be provided regarding these aspects.
- 6.2 In addition the Council must adhere to Subsidy Control requirements (previously referred to as State Aid) when considering providing any financial support (whether directly or indirectly). Again, legal advice is being provided to ensure that all elements of the project are compliant with the requirements of the new Subsidy Control regime.

## **7.0 IMPACT ASSESSMENT**

- 7.1 The establishment of Telford & Wrekin Homes represents a departure from the build to rent model which has been tested over the last 5 years. Whilst much of the learning from this 5 year period can be applied to this new element of the programme, there are a number of business case assumptions which will need to be tested in order to ensure viability and enable the business case to be refined. A phased approach to implementation will help manage and mitigate this risk.

## **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	12 July 2018
Housing Investment Programme	2 January 2020
Local Growth Fund - Stronger Communities	18 June 2020
Housing Investment Programme	5 November 2020

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