

**TELFORD & WREKIN COUNCIL****CABINET****12 JULY 2018****HOUSING INVESTMENT PROGRAMME****REPORT OF THE MANAGING DIRECTOR****LEAD CABINET MEMBERS – CLLR SHAUN DAVIES / CLLR RICHARD OVERTON /  
CLLR LEE CARTER****PART A – SUMMARY REPORT****1. SUMMARY**

- 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 into frontline services.
- 1.2 **Nuplace Limited, the Council's wholly owned housing company, was incorporated in April 2015.** This report provides an update on an industrious third year and outlines proposals for the next phase of development which will see Nuplace deliver a range of supported and specialist accommodation to enable people to live independently, at home, for longer, and promoting 'inter-generational' communities.
- 1.3 **By August 2018 the Nuplace portfolio will reach 290 homes with a further 39 due to be completed by end 18/19.** Through the third phase of developments referenced in the Report, the portfolio will reach **c.420 homes by 2020.**
- 1.4 The Nuplace brand continues to attract strong interest with **all 4 bed properties at Coppice Court, Snedshill reserved on the day of launch and all properties reserved within one month – all prior to build commencing on site.** This is typical of the brand strength with a recent tenant moving into Springfields, Newport commenting '*the property has been designed and built to a high specification and has felt like home from the day we moved in*'. Voids across the portfolio are running at less than 2%.
- 1.5 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 £2.071m. In 17/18 alone incremental income generated was £1.238m.**
- 1.6 The Council will additionally benefit from Council Tax and New Homes Bonus as appropriate on the housing stock delivered. **This is estimated to have generated an additional £369k since 16/17, which will rise to £756k per annum ongoing.**
- 1.7 **Cumulatively since 2015/16 Nuplace Limited is forecast to have delivered a profit before interest and taxation of £1.5m and £683k after interest but before taxation. In 2017/18 alone Nuplace achieved a forecast profit of £1.002m before interest and taxation and £343k after interest but before taxation.**
- 1.8 The programme has **resulted in over 20 acres of brownfield land being regenerated** addressing sites that might otherwise blight local communities.

1.9 The Report also highlights the investment that our contractor, Lovell, are making into local communities in addition to local employment and apprenticeships. This includes a commitment to support a number of community projects through the Hands on Help scheme launched in May.

<b>2</b>	<b>RECOMMENDATIONS</b>
<b>2.1</b>	<b>That Cabinet note progress made in the delivery of the Housing Investment Programme during 2017/18.</b>
<b>2.2</b>	<b>That Cabinet note the development proposals for 2018/19.</b>
<b>2.3</b>	<b>That Cabinet note the financial performance of Nuplace for the year 2017/18 and the impact of Nuplace's operations on the Council's budget position.</b>

### **3. 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	
<b>TARGET COMPLETION/ DELIVERY DATE</b>	Indicative timescales for the delivery of future phases of the programme are included within Section 4.0 of the report.	
<b>FINANCIAL / VALUE FOR MONEY IMPACT</b>	Yes	The financial implications are set out in Section 5.0 of the report.
<b>LEGAL ISSUES</b>	Yes	The legal implications and risks are set out in Section 6.0 of the report.
<b>OTHER IMPACTS, RISKS &amp; OPPORTUNITIES</b>	Yes	Set out in Section 7.0 of the report.
<b>IMPACT ON SPECIFIC WARDS</b>	No	Borough wide

## **PART B – ADDITIONAL INFORMATION**

### **4. INFORMATION**

- 4.1 The Housing Investment Programme (HIP) is a strategic programme, delivering a portfolio of properties for private and affordable rent, and in doing so seeking to;
- Respond to the borough's housing need for quality rental homes and places to live and to support the Council's ambitious growth agenda and major investment into the Borough;
  - Raise the standard of rental provision, both in terms of the quality of the rental homes and the quality of the landlord service, in the Borough;
  - Generate a long term income stream for the Council that can contribute towards the protection of frontline services otherwise affected by budgetary constraints;
  - Protect Council jobs by utilising these roles 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 Progress June 2017 to June 2018

### Growing the Portfolio

4.2.1 Having been incorporated in April 2015, Nuplace has been operational for just over three years with 2017/18 having been an industrious year with five sites under development and two fully occupied. Since the last report in June 2017, Nuplace have delivered the following outcomes:

4.2.2 Built an additional 131 homes across four sites including:

- The Oaklands (Dawley);
- Miner's Walk (Madeley);
- Blossom Walk (Hadley); and
- Springfields (Newport).
- This included 36 affordable homes across sites at Hadley and Newport, bringing the total number of properties delivered to 267.
- A further 23 properties are to be handed over at Madeley before the end of August 2018 to complete the first two phases of the programme.
- A number of properties have been handed over in advance of programmed dates resulting in an improved revenue position for Nuplace as outlined below.

**Example 1: Blossom Walk – apartments**



**Example 2: Springfield's Estate**



4.2.3 In February 2018, Nuplace secured planning permission for 39, two, three and four bed homes on a site owned by Homes England off Holyhead Road, Snedshill. The site was acquired in March and works commenced in April 2018. First handovers are expected in February 2019, with the site to be fully handed over during April 2019. This is the first third party site that Nuplace has acquired by way of negotiated disposal and demonstrates that the company can be competitive in the marketplace when looking to acquire land. The site has proven to be particularly popular with all properties having been pre let within one month of launch at rents above those anticipated at viability stage.

4.2.4 Nuplace's committed property portfolio is summarised in the table below:

	2 bed apartments	2 bed houses	3 bed houses	4 bed houses	Total	Affordable Units	Handed Over (as at 01.06.2018)
<b>Site</b>							
Pool View (Randlay)	1	12	18	0	31	0	31
Woodland Walk (Madeley)	2	11	85	3	101	0	101
The Oaklands (Dawley)	0	32	15	0	47	0	47
Miners Walk (Madeley)	0	36	17	0	53	0	30
Blossom Walk (Hadley)	6	13	6	0	25	3	25
Springfields (Newport)	11	14	8	0	33	33	33
Coppice Court (Snedshill – Phase 1)	0	21	13	5	39	6	0
<b>Total</b>	<b>20</b>	<b>139</b>	<b>162</b>	<b>8</b>	<b>329</b>	<b>42</b>	<b>267</b>
Percentage	7%	42%	49%	2%	100%	12.77%	81.16%

### Rental Income

4.2.6 Strong management of the property portfolio led to increased rental income for the year of £1.2m (£655k 2016/17), and void levels were contained at 1.95% compared to 5% assumed within the Business Case. Rent on early property handovers amounted to £58k in the period. Whilst the Business Case assumes a year on year increase in rent levels of 1.75% across the portfolio, this wasn't imposed in 2017/18 in response to prevailing market rent conditions in the Borough. However an increase of 1.1% on relets was implemented across the portfolio from 1st April 2018. Further details on the financial performance of Nuplace and benefits to the Council are included in Section 5.0.

### Strength of Nuplace Brand

The Nuplace brand continues to be well received with tenants commenting positively on the quality of the properties and the lettings service;

#### **Example One - our first tenants moving into their home (October 2017):**



#### **Example Two – quote from tenant (April 2018):**

*“I have been really impressed with the property and the service I have received from the Nuplace team, everything ran really smoothly on moving day and handover of the property. The property has been designed and built to a high specification and has felt like home from the day we moved in. I feel very lucky and happy to have a Nuplace home for myself and for my young daughter”*  
Tenant at Springfields, Newport.

**Example Three – Students at St George’s School who helped to name Morpurgo House, one of our properties (under construction) at Snedshill (March 2018).**



A developing brand presence is evident in the speed at which properties are reserved on launch of new sites and on re-lets of existing properties with the portfolio. Therefore we have continued low spend on marketing. As an example, our Snedshill site was pre let within one month, with all of our 4 beds being reserved on the day of launch, our fastest site to be pre let to date.

To support marketing activity and the growing portfolio, the Nuplace website is currently being revamped to provide a greater focus on ‘available’ properties and ensure that prospective and existing tenants can effectively and efficiently find a property to suit their needs.

#### Wider Community Benefits

4.2.8 Over the past year we have also worked closely with appointed contractor, Lovell, to deliver significant added value in terms of economic impact, community benefits, education and training. Key outcomes are summarised below:

- Economic Impact:** Every £1 spent on construction contracts for the Housing Investment Programme has to date stimulated on average £2.47 worth of growth in the economy, amounting to an economic benefit totalling £80.65m. Nuplace and Lovell's long term partnership has meant that it has been possible for Lovell to develop a comprehensive local supply chain, with spend with Borough based contractors amounting to £2.8m to date. The table below evidences how, as the build contracts have progressed, we have been able to build an increasingly strong local supply chain.

	% Spend with Borough Based Subcontractors
Pool View (Randlay)	5.61
Woodland Walk (Madeley)	5.30
The Oaklands (Dawley)	5.58
Miners Walk (Madeley)	6.94
Blossom Walk (Hadley)	11.08
Springfields (Newport)	16.51
Coppice Court (Shedhill – Phase 1)	19.66
WeightedAverage	<b>7.92</b>

- Community Benefits:** We have worked with Lovell to deliver a range of community initiatives summarised below:
  - Painting & decorating of The Anstice, Madeley (Example 1);
  - Painting & decorating of Park Lane Centre, Woodside;
  - Refurbishment of toilets, Newport Scout Hut;
  - New fencing, Hadley Scout Hut;
  - Gate & railing painting at Newport Cottage Care Centre;
  - Painting & decorating, Horsehay Church;
  - Sponsorship of Dawley lunch for local residents (Example 2); and
  - Flooring, plastering and roofing for the DIY SOS refurb for the 'Cooper' family (Example 3).

**Example 1: The Anstice, Madeley**



### Example 2: Dawley lunch



### Example 3: DIY SOS



On 1st May 2018, Lovell and Nuplace successfully launched the Hands-on-Help Scheme.

The scheme is open to community groups and not-for-profit organisations including schools, charities and faith organisations that are based within the Telford and Wrekin borough, and offers the opportunity to apply for free expertise, materials and labour, to help transform buildings and outside spaces which are in need of improvement.

The labour and materials which Lovell are offering can be used to deliver a range of improvements to community buildings and spaces such as painting and decorating, roofing and repair works, carpentry and plumbing, environmental and external works or refitting or repairing bathrooms and kitchens.

The scheme received over 20 applications. Representatives from Telford & Wrekin Council, Nuplace and Lovell met to agree the shortlist of applications with a view to contacting the organisations to arrange an appointment to review the requirements further and agree a programme of works. Applications including a wide range of requests ranging from general painting and decorating to re-roofing.

- **Education & Training:**
  - Engaged with schools and colleges through the Dragons Den Enterprise Challenge at New College, careers events at Telford College and Newport Girls and attendance at the Telford Apprentice Show.
  - Supported employment and training in the local economy by providing 450 weeks of apprenticeship training directly and within the supply chain.

### Unlocking Brownfield Land

4.2.9 Developments to date have successfully brought 8.08ha (19.98 acres) of brownfield land back into use. Many of the sites on which development has been undertaken have been stalled for some considerable time and had become a blight on local communities as well as being the focus for antisocial behaviour. The high quality developments that Nuplace have delivered have added real value to these communities through physical regeneration but also by raising the standard of accommodation generally and the rented sector specifically.

### 4.3 Market Conditions in Telford & Wrekin

#### 4.3.1 General Needs Housing for Private Rent

The private rented sector in Telford continues to be buoyant with rental levels across the whole Borough and for all property sizes showing a modest 2% increase between September 2016

and October 2017. This is above increases experienced regionally with rental levels across England showing a small downturn.

Rents commanded by Nuplace continue to fair well when compared to Borough averages with rents achieved at Coppice Court, Snedshill, being above those achieved on previous sites, predominantly due to the location of the development, being in close proximity to the Town Centre. The larger properties on this site have proven to be particularly popular with all four beds being reserved on the day of launch.

The positive state of the rental market is evidenced by new entrants such as Sigma who, alongside Countryside Properties, are bringing forward the Silkin Green development off Hinkshay Road where there are 78, two, three and four bedroom homes for rent alongside a number of properties for sale.

In response to this, development proposals for future sites continue to focus on delivering a mix of general needs housing for rent but with an increasing focus being given to larger, three and four bed properties.

### Phase 3

#### **4.3.2 Specialist Housing for Private Rent**

The Cabinet Report of June 2017, identified the opportunity for Nuplace to diversify into the delivery of specialist housing, specifically for vulnerable customers, including the elderly and those with physical and mental disabilities. This diversification was aimed at responding to a perceived undersupply in the Borough of suitable supported housing for self-funders who may want to rent.

In order to support the Business Case for the delivery of this type of accommodation, Nuplace and the Council jointly commissioned consultants Housing Learning Improvement Network (Housing LIN) to undertake a market assessment to look in more detail at diversification opportunities. Recommendations from the market appraisal include the development of fully accessible accommodation aimed at downsizers, people with low levels of dementia, people with physical disabilities etc. allowing people to live and age well in their home, thus reducing their care needs and prolonging their move into more costly residential care.

#### **4.4 Development Proposals for 2018/19**

In response to these prevailing market conditions and the recommendations from Housing LIN, masterplanning and site investigation has been progressing on two further sites; Snedshill Phase 2, adjacent to the Coppice Court site and land off Whitchurch Drive to the east of Charlton Secondary School, Wellington, with a view to submitting planning applications this summer. Both sites are owned by Homes England and part of the Telford Land Deal (TLD). The principal of a negotiated disposal of the Wellington site to Nuplace has already been approved by the TLD board. Current development proposals for both sites are outlined below:

##### **4.4.1 Land off Whitchurch Drive, Wellington**

Further to Housing LIN's Borough wide market assessment of specialist housing they completed a more focused appraisal of this site's suitability for this kind of provision. The study concluded that the local demographic, alongside comparatively high levels of home ownership, meant the site was well placed to accommodate a number of downsizer retirement homes and/or adaptable dwellings delivered to Lifetime Homes<sup>1</sup> Standards for private rent, sale or shared

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<sup>1</sup> Lifetime Homes Standard is based on 16 design criteria established to ensure a dwelling maximizes utility, independence and quality of life and is broadly equivalent to the National Standards for accessible, adaptable dwellings as set out in Part M(4) Category 2 of the Building Regulations.

ownership. It is estimated that there is currently a 588 unit undersupply within the site's catchment and currently no comparator scheme offering this type of accommodation within the area.

In this context, the site has been masterplanned to include circa 51 units to deliver a fully integrated community comprising of a range of general needs and specialist housing.

A lettings strategy will be developed for the specialist homes which will be available to those vulnerable clients who are unable to live well in general needs accommodation. This could be elderly people but equally families with a disabled family member. Through our Disabled Facilities Grant function we are aware of a number of families currently in general needs private rented accommodation whose homes require adaption to support a disabled family member but who are unable to secure landlord consent. By adopting this approach we intend to create a truly mixed, intergenerational community.

As this will be a new offer within the Borough and for Nuplace, Nuplace are exploring opportunities to offer a range of services to support those people moving into the specialist accommodation including decluttering services, support with the move, cleaning etc. It is not anticipated that any on site care will be provided in bringing forward the development but we will work with Commissioners to ensure that properties are let to appropriate clients and that their care needs are properly met. In addition we are exploring opportunities to offer a lettings service so homeowners can retain their home and let it out through Telford Homefinder and use their rent to cover the cost of their Nuplace property. In this way tenants can try a rental opportunity without committing to the sale of their family home.

An indicative programme for this development is outlined below:

Submit Planning Application	Summer 2018
Acquire land from Homes England	Winter 2018/19
Start on Site	Spring 2019
Practical Completion (75 weeks build)	Autumn 2020

#### **4.4.2 Snedshill Phase 2**

The significant interest shown in the Coppice Court site, especially for the larger properties, prompted Nuplace to review opportunities for the development of the adjacent Homes England site. There is a strong rationale for this as Nuplace/Lovell have developed a sound understanding of the site and its constraints through the masterplanning of Coppice Court with drainage and transport solutions having been considered across both sites.

Early masterplanning showed the site to be capable of accommodating 77; two, three and four bed homes, which alongside the already committed 39 units at Coppice Court was considered to be a significant investment for Nuplace. In response to this, Nuplace have been looking for opportunities to de-risk the development whilst continuing to provide economies of scale in terms of development, acceleration in terms of the delivery of unit numbers and respond positively to housing need in the Borough. A housing mix of circa 76 units is currently being masterplanned with a number of delivery options being explored in order to:

- Respond directly to the evidenced demand for larger properties for market rent;
- Deliver a number of fully accessible homes for private rent aimed at downsizers, people with low levels of dementia, people with physical disabilities etc. for which an undersupply has been identified; and
- Respond to the Council's Strategic Housing Market Assessment (SHMA) 2016 which identifies the following in relation to affordable housing:
  - A net annual shortfall of affordable homes each year of 655 with the majority of this shortfall being in urban Telford.

- A need to increase small/medium family homes and bungalows.
- A need to double the current provision for older people.
- De-risk the development whilst continuing to provide economies of scale.

An Indicative delivery of the above site is programmed as followed:

Submit Planning Application	Summer 2018
Acquire land from Homes England	Winter 2018/19
Start on Site	Winter 2018/19
Practical Completion (75 weeks build)	Summer 2020

4.4.3 The inclusion of these sites would bring the number of properties to be developed to 417. In addition to the above, a number of sites, identified in the 2017 report are still being appraised.

## 5.0 FINANCE

5.1 Capital allocations for the Housing Investment Programme, totalling £63.67m are contained within the Council's Service and Financial Planning Strategy, of which **£35m has been spent as at 31 March 2018, with a further £7.0m allocated to sites in development.** Therefore, £21.67m remains unallocated for future schemes. Capital is allocated to sites based upon feasibility criteria. The rate of return for each investment is dependent upon a range of parameters and is reviewed by the Council's finance department on a case by case basis. 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%.

5.2 The Council invests capital into the Company through either debt or equity finance and demands a commercial return on both.

5.3 Nuplace generates income to the Council from a variety of sources, including services supplied and interest on debt finance. The table below demonstrates the income generated during the first 3 years of operation. The Council continues to benefit from relatively low levels of interest on short term borrowing, however it should be noted that as the Council enters into more long term borrowing, as part of its Treasury Management Strategy, this will be at a higher interest rate and the net benefit from Nuplace will consequently reduce.

£'000s	Actual 15/16	Actual 16/17	Actual 17/18
Services income	283	255	496
Interest income	166	618	1,027
<b>Total income</b>	<b>449</b>	<b>873</b>	<b>1,523</b>
Council incremental costs (including debt finance)	(145)	(344)	(285)
<b>Net incremental Income</b>	<b>304</b>	<b>529</b>	<b>1,238</b>

**The Council will additionally benefit from Council Tax and New Homes Bonus as appropriate on the housing stock delivered. This is estimated to have generated an additional £369k since 16/17, which will rise to £756k per annum ongoing as more sites are developed and units delivered.**

5.4 **Nuplace Limited is forecast to deliver a profit before interest and taxation for the year ended 31 March 2018 of £1,002k (£535k 2016/17), and £343k (£372k 2016/17) after interest but before taxation,** which is in line with current expectations, (based on

unaudited statutory accounts). The company capitalises interest on loan finance during the site's construction period, following which, interest is charged to the profit and loss account upon the sites practical completion. The company acknowledges that ongoing asset maintenance will be required to maintain the investment portfolio, however limited maintenance costs have been incurred to date due to the age of the stock. The company will ensure that adequate reserves are maintained in order to meet future asset maintenance obligations.

- 5.5 In accordance with the Company's accounting policy, the completed housing portfolios at **Woodland Walk (Madeley) and Pool View (Randlay) were revalued at the year end, which resulted in an increase in value of 14.6% over the cost of construction.** This increase is reflective of buoyant market conditions with the West Midlands seeing a 5.23% increase in house prices for the year. It is likely that the revaluations for 2018/19 will be more modest as the valuation process embeds and responds to predicted movements in the housing market.

## **6.0 LEGAL**

- 6.1 The Council set up Nuplace under s1 and s4 of the Localism Act 2011 and s95 of the Local Government Act 2003. Nuplace is a commercial company and must comply with rules and regulations applicable to companies.
- 6.2 The permitted use/purpose of Nuplace is set out in Nuplace's Articles of Association; it is paramount that any new activity Nuplace embarks on is permitted in the Articles of Association. It is confirmed that new activities set out in this Cabinet Report are permitted in Nuplace's Articles of Association.
- 6.3 Nuplace is a contracting authority for the purpose of the Public Contracts Regulations 2015; this means Nuplace needs to comply with EU procurement rules when purchasing goods, works or services. The renewed arrangement with Lovell is fully compliant with EU procurement rules.
- 6.4 Nuplace is a 'Teckal Company' (regulation 12 of the Public Contracts Regulations 2015) which means that (due to the control, functions and the fact there is no private sector ownership) the Council and Nuplace are exempt from Procurement Rules when buying services, goods and works from each other.
- 6.5 State Aid rules apply to the Council when providing aid to Nuplace; therefore in order to prevent breaching State Aid Rules any aid provided to Nuplace by the Council must be on commercial terms.
- 6.6 Where properties are being built through s106 funds, there will be an s106 obligation that some of the 'lettings' are at "affordable rents". In these cases the rents will not exceed 80% of the local market rents for the property concerned. This is has been taken into consideration in the financial modelling.

## **7.0 IMPACT ASSESSMENT**

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

## **8.0 PREVIOUS MINUTES**

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

**Report prepared by Kate Callis, Housing Investment Programme Manager**