

Part 1
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All Wards

WELWYN HATFIELD BOROUGH COUNCIL
CABINET HOUSING PANEL – 18 JULY 2022
REPORT OF SHAREHOLDER GROUP

NOW HOUSING – PROGRESS REPORT

1 Executive Summary

1.1 This report provides an update on Now Housing Limited.

2 Recommendation(s)

2.1 That Cabinet Housing Panel notes the update on Now Housing Limited.

3 Explanation

3.1 In January 2019 the Cabinet of Welwyn Hatfield Council approved the creation of Now Housing Limited, a new wholly council-owned housing company to provide housing for local people whose needs cannot be easily met through the private or social rented sectors.

3.2 Cabinet appointed a shareholder representative group to oversee the set-up of the Now Housing, on behalf of the council. Members of the shareholder group consist of the Council's Head of Paid Service, Executive Director (Finance and Transformation/S151 officer) and Monitoring Officer.

3.3 The current Business Plan for Now Housing Limited was presented to Cabinet Housing Panel in November 2021. The Business Plan is reviewed annually, in line with the council's budget setting process.

3.4 Currently Now Housing owns and manages one block of 12 flats in Chequersfield, Welwyn Garden City. The company is keen to expand its portfolio and is currently reviewing a number of schemes, with the potential to purchase in block. However, conscious that it is important to grow the portfolio as quickly as possible, a criteria for purchasing individual market properties is also being developed.

3.5 Performance on rent collection is currently 100% and there has been no rent lost due to voids. However, one property has been vacant since the initial letting of the block. This was relet within two weeks.

Financial Outturn

3.6 The company will be submitting accounts for the first 18 months of trading, to the year ended 31 March 2022, which will align its accounting period with the councils.

3.7 The out-turn position of the company, for the trading period is as follows:

Now Housing 2020-22 Draft (unaudited) Profit and Loss

	£000s	Note
Income	137.9	A1
Expenditure (including interest)	<u>(274.4)</u>	A2
Profit/(Loss) before tax	<u>(136.5)</u>	
Property Valuation Adjustment	<u>(737.0)</u>	A3
Net Profit/(Loss) for 18 month period	<u>(873.5)</u>	

A1 18 months rental income

A2 Expenditure consists of both the setup costs and the costs incurred in managing the properties and the business. The majority of these charges relate to services from the Council and interest costs

A3 The property valuation adjustment is a non-cash technical accounting adjustment relating to the existing use valuation of the properties, explained further in paragraph 3.8 to 3.10.

3.8 It is important to note that the property valuation adjustment is a technical accounting matter on the valuation of the dwellings. Due to the dwellings being let at below market rent and being held for wider aims than just commercial return, the valuers and auditors agree that the value recorded in the accounts should be reflective of 'existing use' rather than 'market value'.

3.9 In reality, if the company were to dispose of these assets, to maximise cash value, it would likely do so with vacant possession, meaning the higher, open market value would be obtained, a greater value than that recorded in the accounts. The Market Valuation at as 31 March 2022 was £2.58m, a valuation gain of £143k against the original purchase price.

3.10 This is very similar to the council's own accounts, in that its housing stock value is reflected at lower than market value.

3.11 The loss recorded in the 18-month period is slightly higher than originally anticipated, due to delays in scaling up the company at the pace originally envisaged. Further purchases or development will support the company to get into a profitable position, and it is estimated that it would take around a total 40-50 properties to get into a profitable position.

Changes to Legislation

3.12 The government consulted councils early in the year on potential changes to the legislation around the minimum revenue provision. This is a charge the council must make to its revenue account each year, in relation to its need to borrow for capital expenditure.

- 3.13 These early proposals sought to bring capital loans into the calculation, which would have caused significant financial burdens to the council, and loan terms would need to have been reviewed for the company. It is likely these would have been unviable for the company.
- 3.14 The government has listened to council feedback and has very recently circulated updated proposals. Whilst these do take into account council feedback, there are still some areas of uncertainty. Advice is being sought from the council's Treasury Management advisors, and an update will be provided once the final proposals and implications are known.

Implications

4. Legal Implications

- 4.1 Now Housing Limited is a legally constituted company and robust governance arrangements are in place, as agreed with the shareholder group and based on expert legal advice provided to both Now Housing and the shareholder group.

5. Financial Implication(s)

- 5.1 A loan agreement has been agreed between the council and Now Housing to cover the period from April 2022 to March 2023.
- 5.2 The unaudited financial position for the first accounting period for Now Housing is summarised in the detail of the report. The first accounting period is an 18 month period from 1 October 2020 – 31 March 2022. Future accounting periods will be from 1 April – 31 March, in line with the Council.

6. Risk Management Implications

- 6.1 Now Housing and the Shareholder Group have both developed comprehensive risk registers, covering both strategic and operational risks. The changes to legislation have been added as a risk whilst this is investigated.
- 6.2 The risk register for Now Housing is reviewed every quarter by the Now Housing Board.

7. Communication

- 7.1 A communications plan has been developed to ensure that the council promotes the achievements of the Housing Company.

8. Security & Terrorism Implication(s)

- 8.1 There are no security or terrorism implications arising from this report.

9. Procurement Implication(s)

- 9.1 There are no procurement implications arising from this report.

10. Climate Change Implication(s)

10.1 The are no climate change implications arising from this report.

11. Human Resources Implication(s)

11.1 There are no human resource implications arising from this report.

12. Health and Wellbeing Implication(s)

12.1 Good quality housing is key to achieving positive health and wellbeing. The Housing Company provides an opportunity to deliver more affordable, quality homes locally.

13. Link to Strategic Aims

13.1 The subject of this report is linked to the council's Strategic Aims:

- a) **Quality homes through managed growth** and specifically our approach to 'secure land, funding and partnerships to deliver homes that people can afford'.

14. Equalities and Diversity

14.1 An Equality Impact Assessment was not completed because this report does not propose changes to existing service-related policies or the development of new service-related policies

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