

Tackling the need for affordable housing through a local housing company

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Wokingham Borough Council

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Introduction

- Background to Wokingham Borough
- How/why we developed the idea of a LHC
- The LHC structure
- Funding
- Development Pipeline
- Top Tips



Some context

- Population 160,000 (2015)
- 1,876 people on Housing Register
- Homelessness increasing
- 612 local households interested in shared ownership
- High average house prices - £416k at May 2017 – 57% higher than all England average.
- Small and high cost private rental sector
- 80% owner-occupiers in Borough (2011)
- Council stock of 2,650 – bought out of HRA subsidy system
- 4 Strategic Development Locations in Borough - 13,500 new homes by 2026 - 10,000 in SDLs
- 35% affordable housing (mix of on-site & commuted sums)



Background to Company

- Started to discuss in 2008 following the 2007 Housing Green Paper
- Worst funded LA in England
- Wanted to look at different ways to meet housing need that built up assets & created revenue stream
- Reviewed the following options:
 - Council-House Building (i.e. in HRA)
 - 50:50 Joint Venture
 - Commissioning through housing associations (“as is”)
 - Wholly-owned company
- Wholly-owned company was preferred option



Wholly-Owned Company

- Greatest control over homes built
- Most responsive to local needs
- Ability to deliver mixed tenure
- Housing Companies allow you to:
 - Build up asset base
 - Create income stream
 - Borrow to build more
- BUT higher risk and investment requirements



Legal Advice

- A company limited by shares
- Established using “wellbeing powers”
- “State aid” considerations
- Need certain Secretary of State consents
- The LHC will pay corporation tax if it makes a profit and pay VAT on services such as housing management.
- Would be a 'contracting authority' so would be subject to EU procurement rules
- Assured or Assured Shorthold tenancies would apply



Wokingham Housing Limited

- Wokingham Housing Limited (WHL) was set up in June 2011
- Company limited by shares (WBC 100% shareholder)
- Initial business case - small scale development programme on council-owned land (75 units over 5 years)
- BUT more ambitious plans!

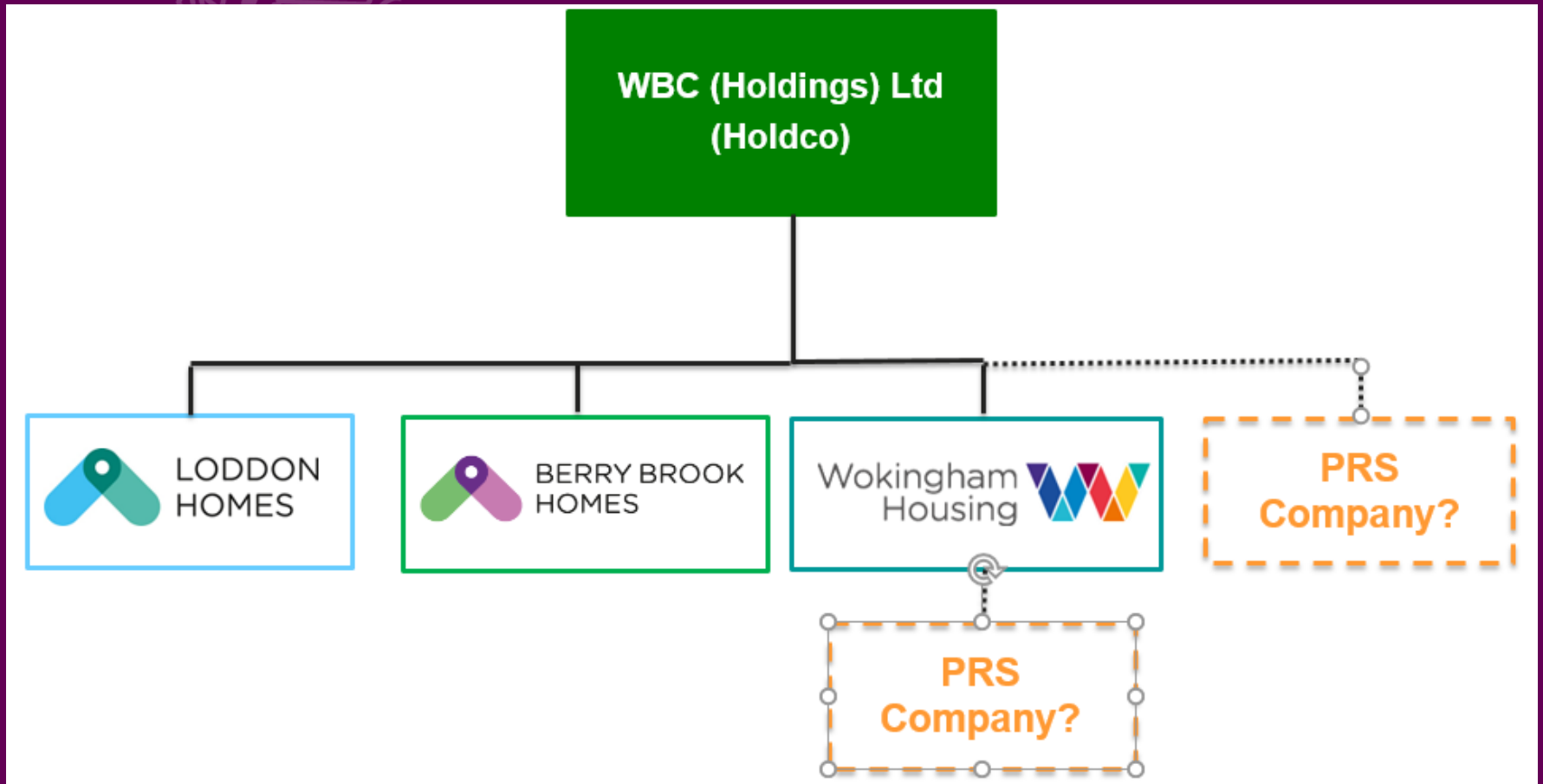


Our LHC Model



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Housing Companies Structure



Company uses

Loddon Homes - For-Profit RP

- Stock with Government Grant funding e.g. Fosters, 52 Reading Road, Shared O/ship



Berry Brook Homes - Local Hsg Co

- All affordable – non Govt. Grant funded e.g. Phoenix Ave, Grovelands, Anson Wk



WHL – Development Co.

- Develops units for above + WBC HRA
- Funds/delivers private sale/private rented

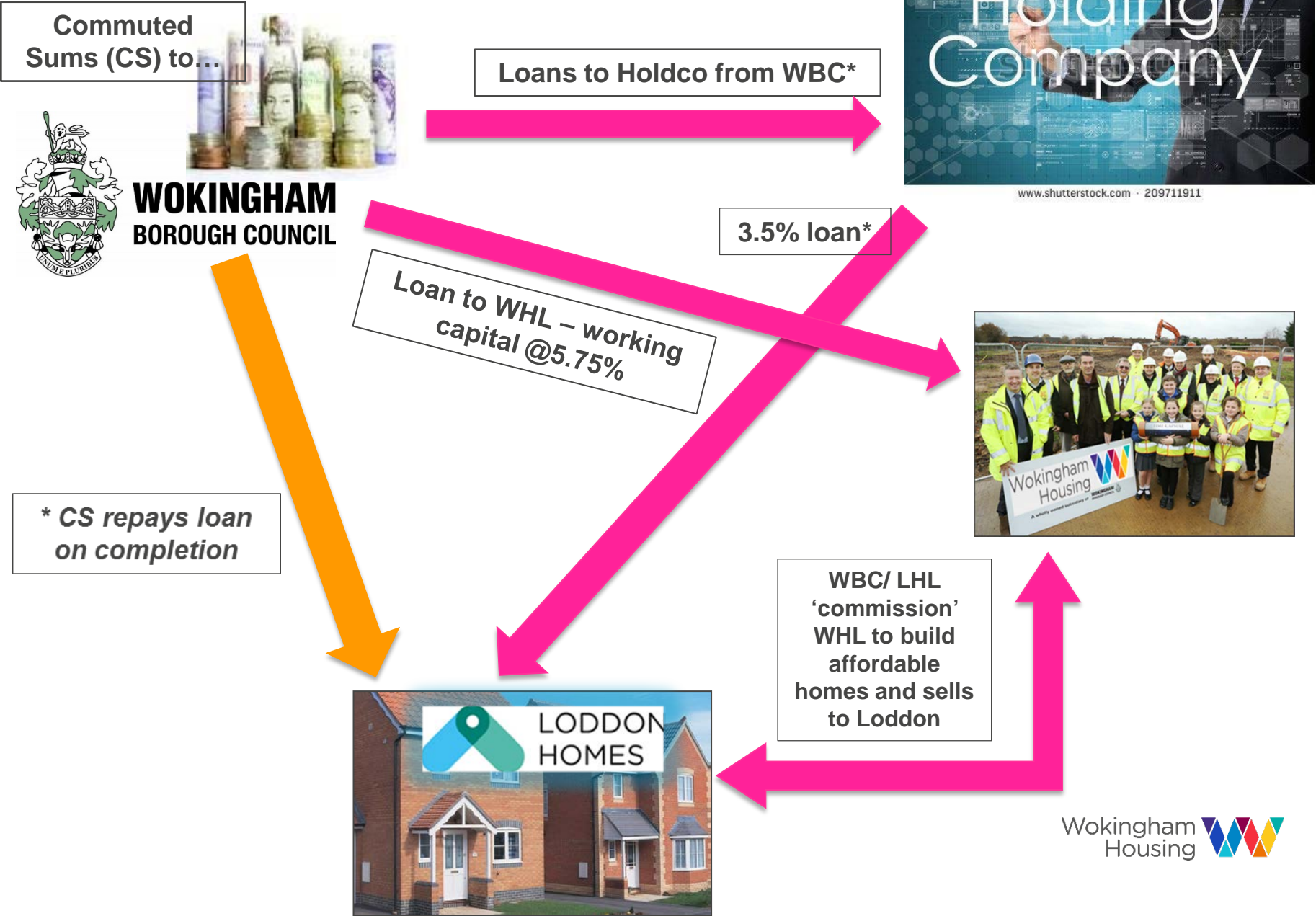


Private Rented Sector (PRS) Co.



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Current structure – outbound



In-bound



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Council services funded thro' interest charges and future profit from Holdco



Surplus rental income



DEBT
reduction

Interest payment

Interest payment



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Dividend



WHL create profit thro' transfer price (initial working capital from WBC)



Commercial Approach

- 2 key objectives: **homes + profit**
- Working capital loan – c.£1.9m by mid 2017/18
- Tough business case appraisals that tests:
 - Notional profit/ loss
 - GDV and ROI over NPV
 - VFM balanced against cost benefit analysis
- Decision gates process - reduce abortive costs
- Challenging build costs
 - Quality/ maintenance costs/ customer
 - Build at an acceptable price per sq metre



eyes wide open



How WHL operates

- WHL – small team of 5 staff (2 PT)
- Small Board of 4 – 3 Cllrs + MD
- Board meet every 2 months
- WHL's business plan –
 - Small sites < than 20 units – 10-15% Overhead and Profit (OH&P) charge
 - Large sites > than 20 units – 5-10%
- No capitalisation of costs - transfer price of assets cover OH&P
- External expertise key
- EA & Small Contractors Frameworks
- WBC SLA for services – esp. L/L



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Setting up Loddon Homes

- Jan 2014 set up Loddon Homes - registered June 16 as a For-Profit RP
- HCA registration process – hard work persistent!
 - Concern about ‘independence’
 - 1st wholly owned Council FPRP – so potential to set ‘precedent’
- ... but strong governance as a result
- Financed from Commuted Sums/
Borrowing/HCA Grants



How Loddon Homes operates

- 3 staff – MD, Business Finance Partner, Business Support Mgr
- Board of 8 – 3 Councillors, MD, 1 WBC tenant, 3 Independents
- Board meets every 2 months
- SLA with the Council – some Legal, HR, Property, ICT, but mainly landlord services – charged at cost + margin of 3-5%
- Brings in external expertise



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How Berry Brook operates

- Set up April 2017
- No staff
- Board of 4 – 1 Council Chair, MD, 2 Independents
- Board meets every 2 months
- Funding from Commuted Sums/
Borrowing
- SLA with the Council for services
- Brings in external expertise



Currently...

- On-site at Phoenix (68) and Fosters Extra Care (34) + 3 other sites (17)
- Funding - £17.2m (CS) + c.£10m (borrowing from WBC)
- 6 future pipeline sites (150+ units)
- Agent for planning/delivery of HRA schemes – 11 units
- Profitable:
 - WHL in 2017/18 (& repay £1.9m debt)
 - Loddon Homes in 2018/19
 - Berry Brook Homes in 2019/20



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Top Tips

- Be brave...
- Try to be clear about your objectives from the start.
- Don't reinvent wheel, but there won't always to be someone to copy...
- Invest in advice/ staff – you can't do it as an add on to the day job...
- Get backing of Councillors and senior officers





Any Questions?



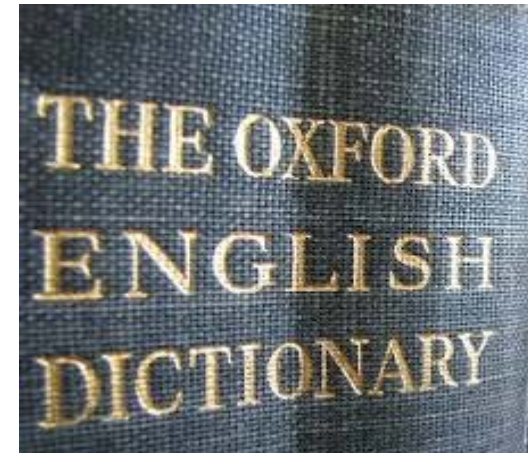
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HMO Licensing – The Oxford Way

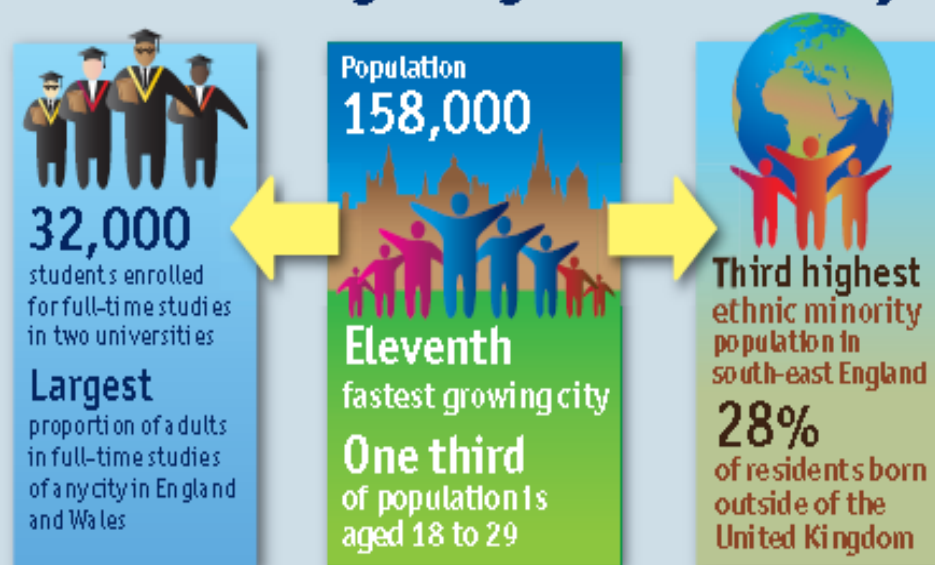
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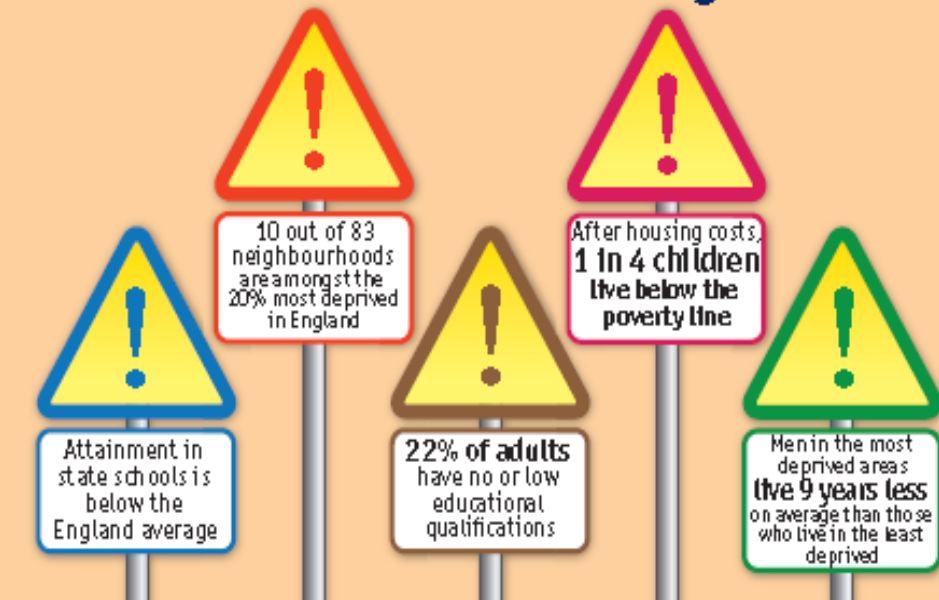
Why Oxford?....



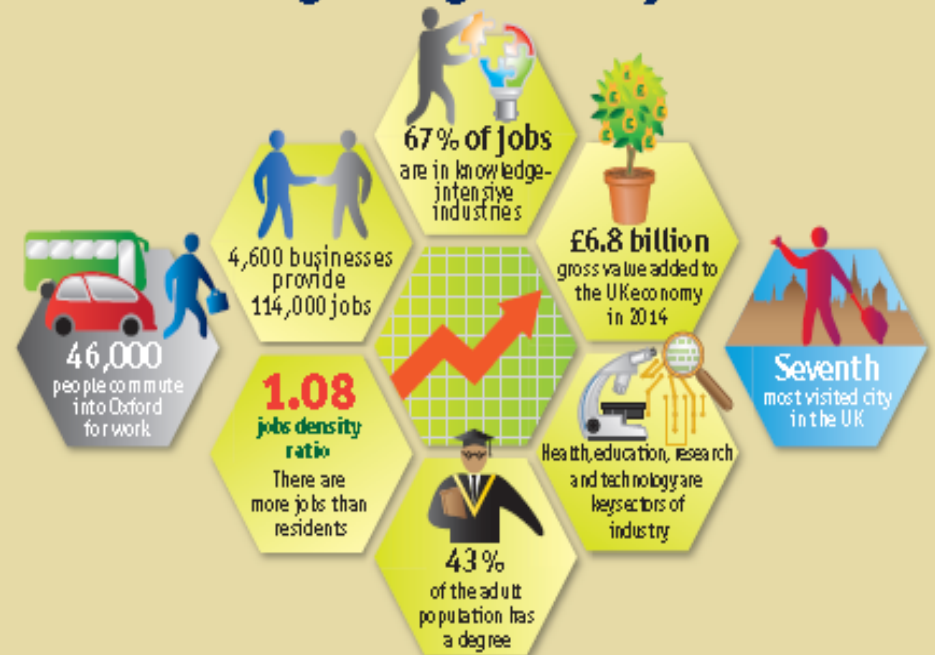
Oxford is a fast-growing international city



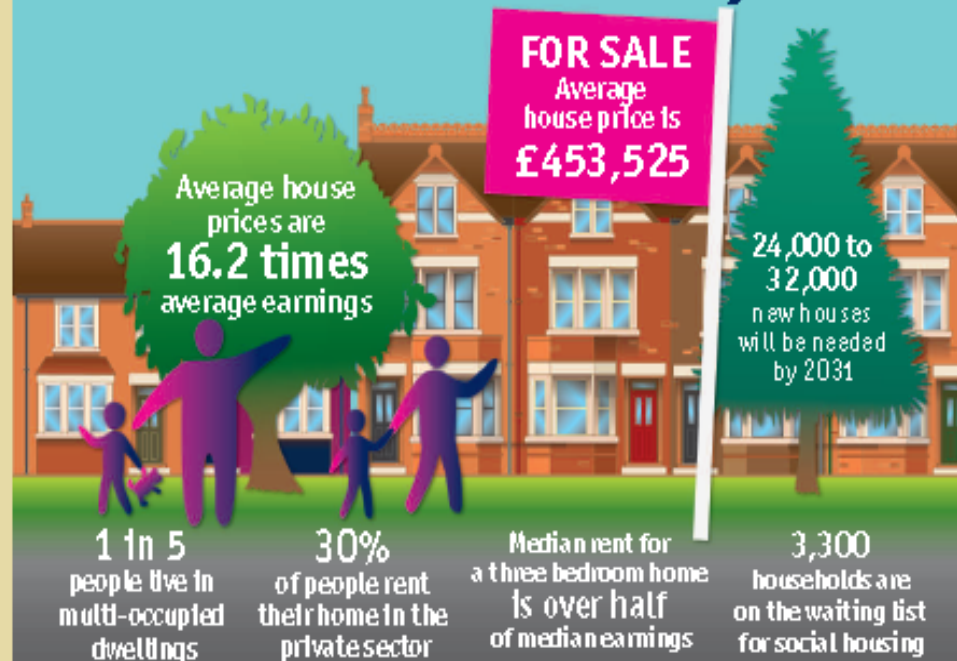
Oxford is not without its challenges



Oxford has a growing economy



Oxford is the least affordable city in the UK











Corporate Priorities

- **Building a world-class city for everyone**
 - More housing, better housing for all
- **Improved private rented sector**
 - Regulation is necessary to improve standards
 - HMOs are the priority
- **Fully utilised existing powers**
- **Additional licensing identified as best tool to deliver significant improvements**



The Journey.....

- **Mandatory licensing introduced in 2006**
- **Additional licensing bid made in 2008**
- **April 2010 – new powers thanks to “General Consent”**
- **Scheme approved October 2010 with phased introduction**
- **Article 4 direction 2012 to help balance communities**



Additional Licensing

- **Scheme is self-funding**
- **Flexible fees and charges structure**
- **Provides mechanism to encourage landlords to co-operate**
- **Creates a level playing field, good landlords no longer being undercut by bad**
- **Additional powers to regulate/enforce**



Our Approach – Annual Licensing

www.oxford.gov.uk



Benefits

- More regular income flow
- Makes fee more affordable for all landlords
- Links with property requirements e.g. gas certificates
- Regular contact ensures standards are maintained
- Decrease noise and refuse service requests

Downside

- Repeated applications (intensity)
- Inspection commitment
- Perceived as overly bureaucratic



Licensing Outcomes

- **Council licensed some 3,440 HMOs**
- **Responded to 2,754 service requests relating to conditions in HMOs**
- **Carried out a total of 19,746 visits to HMOs**
- **Issued licences with over 80,000 conditions**
 - 49,000 to deal with lack of acceptable minimum standards and management
 - 12,600 to deal with Fire Safety
 - 35,000 to address health and safety issues
 - 1,600 to address insufficient amenities and facilities



Impact on service requests

	July 2008 to Jan 2011	Jan 2011 to July 2013	July 2013 to Jan 2015	Change from July 2008 to Jan 2011	Change from Jul 2013 to Jan 2015
Tenancy Issues	1152	1221	811	Up 6%	Down 34%
Noisy parties	600	256	552	Down 57%	Up 54%
Rubbish	4822	1641	1518	Down 66%	Down 7%
Poor conditions	2332	1459	674	Down 37%	Down 54%

Benefits

- **Est. £3.2m investment in improving HMOs**
- **Improvements recognised**
- **Compliance rates running at 48%**
- **Increased number of accredited landlords**
- **More professional approach to management**



Working together

- Work with landlords
- Work with council colleagues
- Provide clear information to tenants
- Provide correct clearly labelled bins
- Education, education, education!



BUT.....

- **Enforcement is inevitable**
- **Fundamental element to licensing of HMO`s**
- **Cracking down on “Rogue Landlords”**
- **Reactive and Proactive**
- **Educate and advise**



Thank you for listening

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