

CABINET

7 November 2016

Present: Mayor (Chair)

Councillors P Taylor, K Collett, S Johnson, I Sharpe and
M Watkin

Also present: Councillor Bell

Officers: Managing Director
Shared Director of Finance
Head of Democracy and Governance
Head of Community and Customer Services
Communications and Engagement Section Head
Finance Business Partner (Projects)
Democratic Services Manager

42 **Apologies for Absence**

No apologies were received.

43 **Disclosure of Interest (if any)**

There were no disclosures of interest.

44 **Minutes of previous meeting**

The minutes of the meeting held on 10 October 2016 were submitted and signed.

45 **Conduct of meeting**

Councillor Bell spoke on behalf of the Labour group.

46 **A county wide Home Improvement Agency (HIA) for Hertfordshire**

A report was received from the Head of Community and Customer Services. The proposal was to establish a county-wide home improvement agency service to help elderly and vulnerable persons to live more independently. A business case

had been developed in partnership with Hertfordshire County Council and a number of District/Borough councils, including Watford Borough Council.

Councillor Johnson introduced the report and explained that there had been issues over the last few years with the service as there was only one surveyor. Having a service with other authorities would make it more resilient and a better service for vulnerable residents. The service would be monitored and after the first year it would be reviewed to look at the possibility of extending and commercialisation.

The Head of Community and Customer Services explained that having occupational therapy staff in the same office as surveyors would be crucial to the service. He explained there would be five Hertfordshire district councils working together with the county council, which would make it more resilient and improve the customer experience.

In response to a question from Councillor Bell the Mayor explained that there may be the ability to offer services to those who would be outside of the grant eligibility for a small charge as part of the commercialisation initiative.

Councillor Johnson concluded that the current service had provided a number of improvements to residents' homes with level access showers and stair lifts in order to make a difference to their lives.

RESOLVED

That Cabinet:

1. subject to satisfactory outcomes to 2 and 3 below, approves the proposal that Watford Borough Council becomes a partner in the Hertfordshire Home Improvement Agency service.
2. delegates to the Head of Community and Customer Services, in consultation with the Portfolio Holder for Housing and Property, to contribute to, and agree, the detailed arrangements to establish the service, including any changes required to the Private Sector Housing Renewal Policy.
3. delegates to the Head of Community and Customer Services, in consultation with the Director of Finance and the Portfolio Holder for Resources and Customer Service, to contribute to and agree the detailed financial arrangements to establish and operate the service.

Establishing a Joint Venture with Watford Community Housing Trust

Cabinet received a report of the Head of Community and Customer Services regarding entering into a joint venture with Watford Community Housing Trust to undertake developments within Watford and beyond and to hold properties for rent. Also to establish a standalone trading company Watford Commercial Services Limited to allow the council to enter into the joint venture and to trade and act for commercial purposes.

Councillor Johnson introduced the report and explained that there was a housing crisis, with 228 households in temporary accommodation. The venture was a measure which would help to reduce this and also had a commercial aspect.

The Head of Community and Customer Services and the Head of Democracy and Governance then gave a presentation to Cabinet. The Head of Community and Customer Services explained there were three entities required: a trading arm for Watford Borough Council (WBC) (Watford Commercial Services Ltd), a property holding company (Hart Homes (Watford) Ltd) and a property development vehicle (Sale LLP).

The Head of Democracy and Governance explained that Cabinet had agreed in January to create Hart Homes which was a company limited by shares which had been set up but was not currently trading. Hart Homes would hold the rental properties; both affordable and market rent. WBC had a 50% stake in Hart Homes. Watford Community Housing Trust (WCHT) through its delivery arm, Clarendon Living, also had a 50% stake in Hart Homes. It had been agreed with WCHT that any time one party put in funds or land other than a loan this would be matched by the other party on a like for like basis. For the first development proposed in the business case, WBC would be contributing the land and WCHT would match that with an equity stake. The Council and WCHT would receive equivalent shares in the company to the value of the land and the equity stake they were contributing. The Shared Director of Finance explained that if Hart Homes were asked to repay the cost of the land it would not work financially so instead WBC would receive shares. It would be possible to liquidate these shares in the future.

In response to a question from the Mayor, the Shared Director of Finance explained that part of the reason for establishing Hart Homes was to offset temporary accommodation costs, therefore there would be a saving in the WBC budget. The trading figures of Hart Homes would not show a great amount of profit but Hart Homes and Sale LLP had to be looked at together.

The Head of Democracy and Governance outlined the Limited Liability Partnership called Sale LLP. WBC would enter into Sale LLP via a trading

company called Watford Commercial Services Ltd (WCS). WBC would have a 100% shareholding in WCS. WCHT through their trading arm, Clarendon Living, would be the other member of Sale LLP. The role of Sale LLP was to be the developer and develop land. The profit would come back through WCS and Clarendon Living (50% each). Sale LLP would provide tax efficiency for both WBC and WCHT.

The relationship between Hart Homes and Sale LLP would be that Hart Homes would hold property for rental (affordable and market), instruct Sale LLP to undertake developments and provide company secretariat services. Sale LLP would develop land and act as a developer for Hart Homes.

It was also intended that in return for a fee WCHT would provide the development management for Sale LLP and manage the properties for Hart Homes and company secretariat services to both. Hart Homes would on sell the services of WCHT for company secretariat services to Sale LLP.

The Head of Community and Customer Services explained that Hart homes was likely to be a longer term entity than Sale LLP. Sale LLP had a five year business plan. It could then be wound up at the end of five years without affecting Hart Homes. It was tax efficient.

The Directors and Board members for each entity were outlined for cabinet, for Hart Homes and Sale LLP these included officers from Clarendon Living. The Shared Director of Finance would be a director for Hart Homes. However, for WCS it would be the Head of Finance in order to avoid a conflict of interest.

The benefits to the council would be more affordable homes to rent, addressing the current temporary accommodation situation and to generate additional income streams.

A report had been taken to the WCHT board last month which had agreed to entering into the joint venture as outlined.

The Mayor commented that it would give the council the best deal in order to provide social and affordable homes for rent. There had been concern last year that WCHT was building non-affordable properties, however, last year the income for the Trust reduced and therefore entirely social housing would not work financially.

In response to a question from Councillor Taylor, the Shared Director of Finance explained that there were agreed fees for the company secretariat to be provided by WCHT.

In response to a question from Councillor Bell, the Head of Democracy and Governance outlined that essentially Hart Homes was the property holder/landlord. Clarendon Living/WCHT would manage the properties on behalf of the entity.

In response to further questions, the Head of Community and Customer Services explained that WCS gave the council opportunity for other commercial activity it could pursue. He also explained that other councils had established housing companies some through a similar proposal to that before cabinet and others through an arms length company. It would be of benefit to the council to work with WCHT as the Trust had skills in development and also land which was often adjacent to WBC land.

In response to Councillor Bell's question regarding the proposed loan to WCS, the Shared Director of Finance commented that £50k would be enough to get the company started until there was income generated.

The Head of Community and Customer Services and Head of Democracy and Governance explained that homes built outside of Watford would aim to be within an hour's travel distance from the registered office.

The Managing Director commented on the governance and scrutiny of the entities in terms of business strategy and business plans. Through Cabinet, Property Investment Board and Major Projects Board there was a challenge and review of the broad delivery plans and financial pipelines. He confirmed that there would be an annual business plan at the start of the year and an annual report at the end. There was delegated authority to the Managing Director in order to enable the entities to be agile and respond to market conditions, however, this would be within the context of ensuring that members were happy with the overall strategy.

RESOLVED

That Cabinet agrees:

1. that the council establishes its own wholly owned trading company to be known as Watford Commercial Services Limited (WCS) for the purpose of facilitating the joint venture arrangement with Watford Community Housing Trust and to also enable the council to trade and act for commercial purpose beyond the joint venture.
2. that the Head of Finance and Head of Community and Customer Services be appointed to the Board of WCS and that the Deputy Managing Director also be appointed when that post is filled.

3. that the business case for WCS as set out in Appendix 1 to the report be approved.
4. that the proposal to loan £50,000 to WCS be approved subject to the Managing Director, following consultation with the Director of Finance, agreeing terms of the loan.
5. that the business case for Hart Homes (Watford) Limited as set out in Appendix 2 to the report be approved.
6. that the proposal to purchase additional shares in Hart Homes (Watford) Limited in exchange for land transfer be approved.
7. that the business case for Sale LLP as set out in Appendix 3 to the report be approved for recommendation to the Board of WCS.
8. that the proposal for WCS to become a member of Sale LLP be approved.
9. that following the establishment of WCS, the Managing Director be authorised to give the Council's (as sole shareholder in WCS) consent to the Board of WCS:
 - 9.1 adopting the Sale LLP Business Case; and
 - 9.2 taking all necessary steps for WCS to become a member of Sale LLP
10. that the Managing Director be authorised to take any and all decisions deemed necessary in his opinion to enable the council to establish WCS and/or to participate in the joint venture with Watford Community Housing Trust to include without limitation the negotiation of terms and approval for execution and/or signature of all documentation.
11. that in accordance with the business plans approved by Cabinet and monitored by the Property Investment Board, the Managing Director, following consultation with the Director of Finance, be given delegated authority to agree to any future financial injections into WCS whether by way of cash, loan notes or shares in order for WCS to be able to act as a full partner in Sale LLP or to develop other commercial activities.

48

Exclusion of Press & Public

RESOLVED

That under Section 100A (4) of the Local Government Act 1972, the public and press be excluded from the meeting for the following item of business as it is

likely, in the view of the nature of the business to be transacted or the nature of the proceedings, that if members of the public were present during consideration of the item there would be disclosure to them of exempt information as defined in Section 100(1) Schedule 12A of the Act for the reasons stated in the report.

49 **Proposed purchase of a commercial property**

The Property and Regeneration Section Head introduced the report and responded to questions from Cabinet.

RESOLVED

That the recommendations be agreed.

Mayor

The Meeting started at 7.00 pm
and finished at 7.40 pm