

Part A

**Report to:** Cabinet

**Date of meeting:** 28<sup>th</sup> February 2022

**Report author:** Shared Director of Finance

**Title:** Watford Commercial Services Business Plan update

## 1.0 Summary

1.1 This report updates the Members with the Watford Commercial Services (WCS) Business Plan 2022-2027.

## 2.0 Risks

### 2.1

<b>Nature of risk</b>	<b>Consequence</b>	<b>Suggested Control Measures</b>	<b>Response</b> (treat, tolerate, terminate or transfer)	<b>Risk Rating</b> (combination of severity and likelihood)
That Cabinet does not approve the WCS annual Business Plan	Will cause delay to the delivery of programme and the councils housing objectives	Cabinet to approve the annual Business Plan	Treat	1
Investment with a counterparty that subsequently defaults	Recovery of principal will take longer	Invest in accordance with the Councils Treasury Management Policy	Tolerate	2
That the estimates used in the Hart Homes Business Plan will not be sufficiently accurate.	Budget not correct	Mitigate through regular budget monitoring	Treat	3
Delay of programme delivery	Delay to housing targets and potential budget overspends	Mitigate through regular progress monitoring	Treat	3

### 3.0 Recommendations

- 3.1 Approve the Watford Commercial Services Business Plan for 2022-2027 attached as appendix A;
- 3.2 Note that the business plan reflects the Hart Homes schemes all proceeding on an optimistic programme, the WCS Board note that the timings could well slip, with the implications of investment and returns happening later than those projected;
- 3.3 Note that should Cabinet approve the creation of the Shareholder Board that Board will receive on a regular basis a report setting out the services provided by WCS and the performance compared to the agreed KPIs

**Further information:**

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### 4.0 Detailed proposal

- 4.1 Whilst the full Business Plan is appended as a part B report due to the commercial sensitivity of potential schemes a brief summary of the plan is set out below:
- 4.2 WCS has been established by Watford Borough Council (WBC), for the purpose of facilitating the joint venture arrangement with Watford Community Housing Trust to form Hart Homes (Watford) Development LLP (HHWDLLP) and to also enable the Council to trade and act for commercial purposes beyond the joint venture.
- 4.3 The objectives of the LLP are: -
- To increase the supply of housing for sale and rent
  - To generate additional income streams to enhance the core objectives of WBC and the Trust
- 4.4 This will be achieved through maximising the potential of existing assets within Watford and actively seeking opportunities inside and outside the Borough.
- 4.5 Additional commercial purposes beyond the joint venture are yet to be developed in detail and as such this business plan will focus on the activities of the LLP. Further business plans will be prepared for approval as additional commercial activities are developed.

## **Business Model**

- 4.6 WBC and the Trust have agreed that the LLP will be a Limited Liability Partnership with equal investment by the members to facilitate projects and equal subsequent profit distribution.
- 4.7 To maximise the return generated by the initiative, a structure has been devised which will ensure
- that the regulatory requirements of the members are met
  - the most efficient use of assets and capital to generate returns
  - enable the venture to develop housing for sale
  - act as developer for Hart Homes (Watford) Ltd for housing for rent
- 4.8 The LLP will undertake development of property for sale and will be instructed by WBC and the Trust, through their subsidiaries WCS and Clarendon Living, to deliver any schemes. It will also act as developer for the Ltd Company in respect of properties to be retained for rental.

## **Aims and Objectives**

- 4.9 WBC and the Trust have agreed that the joint-venture will seek to increase the supply of affordable housing, primarily in Watford Borough and undertake development opportunities which will generate profit for the benefit of the members' organisations
- 4.10 It is an aspiration that the LLP's activities should increase the supply of affordable housing through the sites which it develops and, dependent upon the individual circumstances, may provide a greater proportion than would be required through any planning obligations. Affordable housing which has an element of rented tenure will be developed on behalf of Hart Homes Watford Limited, which will own and manage such properties.
- 4.11 Affordable housing in this case may mean low-cost home ownership products, or other variants which may become appropriate through changes in subsidy arrangements, or enactments of new legislation.
- 4.12 The members are also cognisant of the national shortfall in housing production as a whole and sees its production of market sale homes as a significant contribution to ameliorating this aim.
- 4.13 Both WBC and the Trust has a significant stake in developing and improving the Borough of Watford, however the LLP activity is not constrained by its boundaries.

The LLP will consider projects which lie within one-hour's travel from the registered office, which will broaden the opportunity-base, whilst not overstressing management capability.

4.14 Similarly, projects containing an element of non-residential accommodation would be considered if appropriate commercial returns are achieved.

## 5.0 **Implications**

### 5.1 **Financial**

5.1.1 The Shared Director of Finance comments that the budget is included within the agreed capital programme budget which was approved by the Council in January 2022.

### 5.2 **Legal Issues** (Monitoring Officer)

5.2.1 The Group Head of Democracy and Governance comments that the Business Plan must be approved by Cabinet on behalf of the council as sole shareholder. Currently the main business of the Company is to act as a 50% partner in a joint venture with Clarendon Living Limited (the commercial arm of Watford Community Housing) to develop housing.

### 5.3 **Equalities, Human Rights and Data Protection**

5.3.1 Having had regard to the council's obligations under the General Data Protection Regulation (GDPR) 2018, it is considered that officers are not required to undertake a Data Processing Impact Assessment (DPIA) for this report.

### 5.4 **Staffing**

5.4.1 There are no implications.

### 5.5 **Accommodation**

5.5.1 There are no implications.

### 5.6 **Community Safety/Crime and Disorder**

5.6.1 There are no implications.

### 5.7 **Sustainability**

- 5.7.1 Hart Homes is bound by planning and building regulation requirements on sustainability. Sustainability measures in current developments include:
- modern energy efficiency methods and all electric.
  - electric vehicle charging points
  - relocation of protected species prior to development
  - maintenance of existing cycle during developments and improvements within the completed scheme.

## **Appendices**

- Part B Appendix 1 WCS Business Plan 2022-2027

## **Background papers**

No papers were used in the preparation of this report.