



Hinckley & Bosworth
Borough Council

A Borough to be proud of

FORWARD TIMETABLE OF CONSULTATION AND DECISION MAKING

COUNCIL

6 SEPTEMBER 2016

WARDS AFFECTED:

ALL WARDS

HOUSING DEVELOPMENT COMPANY: MIDDLEFIELD LANE

Report of Monitoring Officer

1. PURPOSE OF REPORT

- 1.1 The purpose of the report is to update members on the business plan for the company and to seek approval for the disposal of the site at Middlefield Lane.

2. RECOMMENDATION

2.1 That Council approves

- Hinckley & Bosworth Development Limited is not pursued for the development of housing on Middlefield Lane,
- Middlefield Lane site is disposed of in the open market to ensure we obtain the best consideration for the site as required,
- Hinckley & Bosworth Development Limited is retained to explore future opportunities in the Housing market and also other potential markets / revenue streams.

3. BACKGROUND TO THE REPORT

- 3.1 In March 2015 Council approved the creation of a wholly owned company and that it be named Hinckley and Bosworth Development Limited (HBDC). As part of this decision, the approval of the business plan for the company was delegated to officers, although iterations of the narrative to the business plan have been considered by the Scrutiny Commission.
- 3.2 The company business plan has now become well developed by officers for the company Board and it is a model that can be applied to any potential development opportunity, whether currently in the ownership of the council or not. It considers all factors and variables, including:

- Build costs for a mix of housing types, based upon the Building Cost Information Service (BCIS) indices of Royal Institute of Chartered Surveyors (RICS) indices
- Site purchase costs (where known)
- Resourcing costs
- Working capital
- Loan interest and payments
- Rental yields
- Property sales

3.3 It is based upon a number of assumptions about the current and future housing market, which can be remodelled to test the sensitivity of the scheme. In summary, once all of the information about a scheme is entered, it tests the scheme's viability; importantly not just for HBDC, but also the council. The key assumptions are noted in the table below:

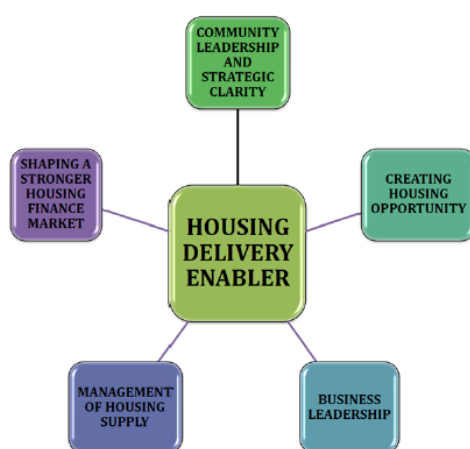
Key Assumption	Modelling	Modelling	Modelling
Number of Properties	Modelled at both 40 and 52 properties	Not changed as based on options put forward for land available	Not changed as based on options put forward for land available
Build cost	Build cost indices as at 20/5/2016 for cost per m2 multiplied by area at the Median value and lower quartile	Build cost indices as at 20/5/2016 for cost per m2 multiplied by area at the Median value and lower quartile	Build cost indices as at 20/5/2016 for cost per m2 multiplied by area at the Median value and lower quartile
Rate of interest	PWLB rates for 20 years + 4% to cover MRP costs	PWLB rates for 20 years + 4% to cover MRP costs	PWLB rates for 20 years + 4% to cover MRP costs
Cost inflation	1%	0%	2%
Sales inflation	0%	1%	2%
Rent inflation	0%	1%	2%
Key Questions Answered			
Is build and sell viable: For the Company	No, large loss on sale ≈ £2m-£2.8m to HBDC	No, large loss on sale ≈ £2m-£2.8m to HBDC	No, large loss on sale ≈ £2m-£2.8m to HBDC
For the Council*	No, loss on sale £0.1m to £0.5m	No, loss on sale £0.1m to £0.5m	No, loss on sale £0.1m to £0.5m
Is build and rent viable	No, rental does not cover finance costs	No, rental does not cover finance costs	No, rental does not cover finance costs

*Note for this return the council would have to agree to set up a failing company, then rent and sell houses over a 5-7 year period with a lack of certainty over future house price movements. Therefore there is a risk of a larger loss.

3.4 Following numerous iterations and revisions to assumptions, it has become clear that it is not viable for the council for HBDC to develop Middlefield Lane. This is primarily

because neither the council nor HBDC have the scale of many of the private sector developers and, therefore, is unable to achieve the same economies.

- 3.5 The Medium Term Financial Strategy currently assumes a conservative estimate for the capital receipt of £1.2 million for Middlefield Lane during 2016/2017. This is based upon historical valuations, and as such a current valuation is being sought. On that basis, it is recommended that the site is marketed without further delay by the Estates and Asset Management Team. There has been continued interest in the site from the private sector and it is anticipated that this process should be completed to secure a sale by the end of 2016/2017.
- 3.6 Whilst it is being recommended that Middlefield Lane is not pursued by HBDC, there may still be opportunities for the company. As already stated, the model can be applied to any scheme and it is anticipated that the Estates and Asset Management Team will test the viability of any scheme that we may have the opportunity to secure.
- 3.7 The original proposed delivery model had a focus on profit and commercialism which would provide a revenue stream to supplement the General Fund. Whilst we have now established this cannot be achieved (with the current assets), it is also important to recognise that many of the key drivers for the establishment of the company are still relevant, particularly our role in improving the housing market. The role of local authorities in delivering the vision of improving the housing market was set out in the Elphicke-House report in 2015, which emphasises the role of local authorities as “housing delivery enablers” rather than just statutory providers:



- 3.8 To ensure we still deliver on these objectives, we will continue to work with providers both large and small and will tailor our approach accordingly. For example, some of our smaller sites can be marketed to meet the demands of the local housing and construction market by simple auction, whilst the larger sites such as Trinity Lane will be procured through a competitive process with a detailed requirement for regeneration and capital receipt.
4. EXEMPTIONS IN ACCORDANCE WITH THE ACCESS TO INFORMATION PROCEDURE RULES
- 4.1 The report will be taken in open session.

5. FINANCIAL IMPLICATIONS [AW]

5.1 As contained in the body of the report.

6. LEGAL IMPLICATIONS [AR]

6.1 Middlefield Land is presently held by the Council for housing purposes under Part II of the Housing Act 1985. Therefore any disposal will be in accordance with Section 32 of the Housing Act 1985. This will require the consent of the Secretary of State. As set out within the report the Council will seek to achieve market value and therefore this will allow the Council to obtain the required consent in accordance with the General Consent of the Secretary of State.

6.2 With regard to the retaining of Hinckley and Bosworth Development Limited this remains a separate legal entity owned by the Council and can continue as proposed within this report.

7. CORPORATE PLAN IMPLICATIONS

7.1 This report and its outcomes contribute to all four of the strategic aims of the Corporate Plan.

8. CONSULTATION

8.1 The Asset & Regeneration Strategy Group has considered and endorsed this report.

9. RISK IMPLICATIONS

9.1 It is the Council's policy to proactively identify and manage significant risks which may prevent delivery of business objectives.

9.2 It is not possible to eliminate or manage all risks all of the time and risks will remain which have not been identified. However, it is the officer's opinion based on the information available, that the significant risks associated with this decision / project have been identified, assessed and that controls are in place to manage them effectively.

10. KNOWING YOUR COMMUNITY – EQUALITY AND RURAL IMPLICATIONS

10.1 There are no negative impacts on the community arising from the decisions recommended in this report.

11. CORPORATE IMPLICATIONS

11.1 By submitting this report, the report author has taken the following into account:

- Community Safety implications
- Environmental implications
- ICT implications
- Asset Management implications
- Procurement implications
- Human Resources implications
- Planning implications
- Data Protection implications
- Voluntary Sector

Background papers: None

Contact Officer: Julie Kenny. 01455 255985

Executive Member: Councillor M Hall / Councillor M Surtees