

Item

## **CAMBRIDGE CITY HOUSING COMPANY LIMITED – UPDATE**

**To:**

Councillor Lewis Herbert, Leader and Executive Councillor for Strategy and External Partnerships

Strategy & Resources Scrutiny Committee    08/02/2021

**Report by:**

Caroline Ryba, Head of Finance and S151 Officer

Tel: 01223 - 458134 Email: caroline.ryba@cambridge.gov.uk

**Wards affected:**

All

The appendix to the report contains exempt information during which the public is likely to be excluded from the meeting subject to determination by the Scrutiny Committee following consideration of a public interest test. This exclusion would be made under paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

### **1. Executive Summary**

- 1.1 This report presents an update on the Council's intermediate housing company, Cambridge City Housing Company Limited (CCHC). The updated business plan for CCHC for the period 2020/21 – 2029/30 is attached.
- 1.2 CCHC performed well over the past year in terms of letting with low void levels, minimal arrears, and low levels of antisocial behaviour over the past year. The Annual General Meeting was held on 12<sup>th</sup> October 2020.
- 1.3 Since Covid-19, CCHC leased 5 properties from the Council to re-let to rough sleepers to help meet their needs, providing accommodation to

help keep them safe and provide support. It is considering further lettings from the private sector to provide additional properties to assist in this.

- 1.4 Financially in 2019/20, CCHC generated a small surplus in direct trading activity of £59,608 with an increase in the value of the investment property by approximately 2.36%, to c£7.9m.

## **2. Recommendations**

The Executive Councillor is recommended to:

- 2.1 Note the comments of the Strategy & Resources Scrutiny Committee on the draft Business Plan; and
- 2.2 To inform the Board of Directors of Cambridge City Housing Company of the comments of the Strategy & Resources Scrutiny Committee/Council for consideration in finalising the Business Plan
- 2.3 Request a further review of the Housing Company's acquisition policy and future plans prior to the Council's loan refinancing due in April 2022.

## **3. Background**

*Page: 2*

- 3.1. CCHC was established in February 2016 to alleviate some of the pressures on the intermediate housing market in Cambridge. It is an independent property company, wholly owned by Cambridge City Council.
- 3.2 The objectives of the company are to provide and manage housing that is affordable for those in housing need and any other property related activity in Cambridge and neighbouring districts, whilst also generating a financial return for the Council.
- 3.3 CCHC owns 23 market housing units at Water Lane and Aylesborough Close let at sub-market rent. In 2020, CCHC leased 5 properties from the Council's housing stock to let to people who were rough sleepers pre-Covid-19. This supports the Housing Company's objective to support housing need the 5 leased properties now provide accommodation for 8 people.
- 3.4 The Council's Town Hall Lettings team provide property management services for CCHC's properties and this has been a successful partnership. They provide a good service, dealing with all day to day matters arising and have developed good relationships with the tenants. The coronavirus pandemic has more recently seen their involvement with tenants increase but no significant issues have arisen so far.

- 3.5 CCHC's Annual General Meeting was held on 12<sup>th</sup> October 2020 and the draft business plan was shared at that meeting. All Councillors were invited to the Meeting and it was held virtually this year.
- 3.6 The decision making for CCHC has to be the Board of Directors but the agreed approach for the Council as shareholder to give direction to the Board is through presenting this update and the draft business plan attached as Appendix A.

#### **4. Future development of the company**

- 4.1 As the 100% shareholder of the company, the Council will continue to explore how the company can be funded and developed to meet its dual objectives in respect of meeting housing need and a financial return, within acceptable levels of risk. Opportunities that may arise, for example, through the Cambridge Investment Partnership, will be considered and where appropriate reports brought back to Committee to seek additional funding.
- 4.2 Consideration has been given to a similar model to CCHC leasing properties from the Council but with private sector landlords. This could be for up to a further 20 properties and would be used to provide accommodation and support for rough sleepers. This requires no capital outlay for CCHC and the Council has appropriate protections in place for CCHC. Initially the Council is attempting to secure private sector leased properties through the existing Town Hall Lettings route in an expansion of an existing scheme, but if this is not successful, CCHC may step in.
- 4.3 The business plan for CCHC for the period 2020/21 – 2029/30 is at Appendix A for the Committee's consideration and comment.

### **5. Implications**

#### **(a) Financial Implications**

- 5.1 During the period ended 31 March 2020, CCHC generated a profit of £206,880, compared to a profit in the previous year of £189,080. The value of the investment property increased over the year by approximately 2.36%, to £7,927,200. Excluding the increase in the value of the investment property of £182,900, and the associated deferred corporation tax of £35,628, the company generated a surplus in direct trading activity of £59,608. This represents a revenue return on capital employed of c7.5%.

- 5.2 The company has loans from the Council of £7.5m and deferred tax liabilities of c£57k.
- 5.3 Rents have been reviewed in line with market conditions and increased where appropriate in line with local market conditions and CCHC's sub market rent approach. Market pressure on rents for some of the properties, however, has suppressed rents to some degree compared to the original business plan, exacerbated by the coronavirus pandemic. CCHC has been flexible in dealing with issues arising since March 2020 but has managed to maintain income levels with low void levels to date.
- 5.4 The Council received interest payments on its loan to CCHC of £151,500 in 2019/20. No dividend was paid as it was considered prudent to retain cash in the business as the loan repayment period has extended due to some rent increases being below original forecast.

#### **(b) Staffing Implications**

- 5.5 Housing management services are supplied to the company by the Council's Town Hall Lettings team. Council staff provide director, company secretary and administrative support to CCHC, charged to the company at cost.

#### **(c) Equality and Poverty Implications**

- 5.6 No Equality impact Assessment has been done as this is a continuation of an existing service.

#### **(d) Environmental Implications**

- 5.7 The current properties have Environmental Performance Certificates of good Bs with limited recommendations which would only marginally increase the EPC score. A typical EPC for the properties is shown below:

Score	Energy rating	Current	Potential
92+	A		
81-91	B	87   B	88   B
69-80	C		
55-68	D		
39-54	E		
21-38	F		
1-20	G		

- 5.8 Although the CCHC properties perform relatively well compared to many properties, they do not meet net zero carbon. To achieve net zero carbon will require retrofitting in the future and further investment in the properties.
- 5.9 The current CCHC business plan does not have a strategy for improving the environmental performance of its existing properties. As a small part of the Council's housing provision, it is not proposed that CCHC do independent design work on retrofitting its properties at present. CCHC will work with Estates & Facilities, learning from the work it is doing in respect of retrofitting the Council's significant HRA portfolio to achieve the required environmental performance.
- 5.10 Subsequent CCHC business plans will incorporate a strategy as to how the properties can be improved, the required level to be achieved and how this can be financed.

#### **(e) Procurement Implications**

- 5.11 The company procures services in line with the council's procurement regulations.

#### **(f) Community Safety Implications**

- 5.12 None.

### **6. Consultation and communication considerations**

- 6.10 None, as this report recommends actions that will ensure the continuation of the services provided by CCHC.

### **7. Background papers**

- 7.1 Background papers used in the preparation of this report:
- Cambridge City Housing Company Ltd Annual Report and Financial Statements for the Year ending 31st March 2020
  - Ensor's Final Management Report for the Year ending 31st March 2020
  - Strategy & Resources Scrutiny Committee Report and Minutes – '*Cambridge City Housing Company - Review of Pilot Phase*' – 11<sup>th</sup> February 2019

### **8. Appendices**

## **9. Inspection of papers**

To inspect the background papers or if you have a query on the report please contact Caroline Ryba, Head of Finance, tel: 01223 - 458134, email: [caroline.ryba@cambridge.gov.uk](mailto:caroline.ryba@cambridge.gov.uk).