

<b>Report to:</b>	Cabinet	22 March 2021
<b>Lead Cabinet Member:</b>	Leader of the Council Lead Member for Finance	
<b>Lead Officer:</b>	Peter Campbell, Head of Housing Jeff Membery, Head of Transformation	

## **South Cambs Limited trading as Ermine Street Housing: Review of Business Plan 2020/2021 to 2029/2030**

### **Executive Summary**

1. The Ermine Street Housing Business Plan is refreshed annually to include the latest portfolio details, previous year performance and the amended financial assumptions.
2. The Business Plan has been scrutinised and agreed by the Company's Board of Directors and is shared with Cabinet for information.

### **Key Decision**

3. No
4. This is not a key decision because the Ermine Street Housing Business Plan is included on the agenda for information only and does not directly result in the authority incurring expenditure which is, or the making of savings which are, significant having regard to the Council's budgets.

### **Recommendations**

5. **Cabinet is requested to consider the report and, if satisfied, to:**
  - (a) **Receive the Ermine Street Business Plan for the period 2020/2021 to 2029/2030 for information.**

## Reasons for Recommendations

6. The Council, as owner of the Company and sole shareholder, has an interest in reviewing the Business Plan to ensure that (i) the Company is on target to achieve its objectives, (ii) to consider the past years performance, and (ii) acknowledge the changes in the financial assumptions and the financial return to the Council as a result of the business activity.
7. The original objective of the Company was to deliver 500 homes over the 5-year period 2016/2017 to 2020/2021 and the expectation is that this will be achieved.
8. In February 2020, it was proposed to appoint an independent consultant to consider the future direction of the Company together with several options. The report was completed in July 2020 and presented to Cabinet in September 2020. The report comprehensively presented a range of options available to the Council.
9. Cabinet opted to continue with the expansion programme until the 500-property target has been accomplished which is anticipated to be in the calendar year ending 2021.

## Details

### Background

10. In November 2012, the Council set up a subsidiary housing company registered as South Cambs Limited (SCL). SCL has been trading under the name Ermine Street Housing (ESH) since 2014 and continues to operate as an independent property company wholly owned by the Council. The principal activities of the Company are to manage both purchased and leased properties for the purpose of residential lettings. The Company aims to provide a quality service in this sector.
11. The Council approved a Business Plan for ESH in November 2015 and, in line with the original objectives, capital allocations of up to £100 million have been made since 2016/2017 to enable the Company to increase the property portfolio over a 5 year period, until 500 homes are owned and rented by the Company on assured short-hold tenancies. The current property portfolio is geographically located in Cambridgeshire, Suffolk, Northamptonshire, Leicestershire, Leeds and Nottinghamshire.
12. It was initially assumed that the acquisition profile would be relatively evenly spread across the 5 years but, in the earlier years of business expansion, the Company was not able to acquire as many as 100 homes per annum. Cabinet, at its meeting held on 7 November 2018, considered and endorsed the amendment to the Company Business Plan and Council, at its meeting 29 November 2018, approved the re-phasing of the capital programme to ensure that financial resources were aligned to realistic business expansion timescales for achieving the target of 500 homes in the timescales envisaged by Cabinet and Council in November 2015.

13. The Company now has approaching 460 properties. There was an expectation that the original business plan objective would be achieved by the target date of 31 March 2021. However, there have been challenges during the pandemic and the target date has been put back to December 2021. Following the independent review and the decision to continue with the expansion until 500 homes are acquired, the Council will need to approve further borrowing from 1 April 2021.
14. Any additional borrowing to facilitate expansion beyond the 500 target will be subject to Council approving a business case and a refreshed Business Plan.

### **Refreshed Business Plan 2020/2021 to 2029/2030**

15. The Company's Board of Directors review and refresh the Business Plan annually to reflect changes in the composition of the portfolio, the gross rental yields achieved and the latest market values of the portfolio.
16. The Business Plan also considers the performance of the Company in relation to the previous year's trading period, updates the financial assumptions and revises key risks and key business sensitivities.
17. The Business Plan, attached at **Appendix A**, is used by the Company's Board of Directors to challenge, and scrutinise the Company's trading activities. It is now shared to enable the Cabinet to consider the updated version.
18. The Company is on target to achieve the target of 500 homes during 2021 following the Council decision to accept the findings of the independent options appraisal. The Company will continue to work closely with council colleagues to explore further opportunities beyond 2021-2022.

### **Implications**

19. In the writing of this report, taking into account financial, legal, staffing, risk, equality and diversity, climate change, and any other key issues, the following implications have been considered: -

### **Financial**

20. Ermine Street Housing acquires property on the open market, borrowing at market interest rates via South Cambridgeshire District Council. Ermine Street Housing then lets the property at market rents to facilitate a reasonable pay back of the investment.
21. In February 2018 the Secretary of State issued new guidance on Local Government Investments (the Guidance), which widened the definition of an investment to include all the financial assets of a local authority as well as other

non-financial assets held primarily or partially to generate a profit. This wider definition includes investment property portfolios as well as loans made to wholly owned companies or associates, joint ventures or third parties. The Guidance applies for financial years commencing on or after 1 April 2018.

## **Legal**

21 There are no significant direct legal implications.

## **Staffing**

22 There are no significant direct staffing implications.

## **Risks/Opportunities**

23 The Ermine Street Housing risk register has been thoroughly reviewed, updated, and uploaded onto the Council's risk management system. The two key risks are the pandemic which is having an impact on rent arrears and interest rates which are currently relatively stable.

24 The SDLT (stamp duty) holiday has provided the Company the opportunity to pay marginally less SDLT and looks likely to continue.

## **Equality and Diversity**

25 There are no significant equality and diversity implications.

## **Climate Change**

26 Ermine Street Housing is in partnership with Green Energy Switch to take advantage of the Green Homes Grants to provide energy efficient measures across the portfolio, such as additional insulation, reducing energy costs for the tenants, thereby reducing carbon emissions.

## **Health & Wellbeing**

27 There are no significant implications for health and wellbeing.

## **Consultation responses**

28 Consultation was not required.

## **Alignment with Council Priority Areas**

### **Growing local businesses and economies**

29 The Company employs a range of local businesses to undertake repairs and maintenance, cleaning, and lettings and management.

### **Housing that is truly affordable for everyone to live in**

30 Company offers some sub-market rent accommodation and works with Shire Homes Ltd to provide temporary accommodation for homeless people and families.

### **Being green to our core**

31 The Company is working with Green Energy Switch to take advantage of the government's Green Homes Grants to provide additional insulation in homes in its portfolio.

### **A modern and caring Council**

32 The business activities of the Company generate income for the Council to invest in services for local people.

## **Background Papers**

Where the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012 require documents to be open to inspection by members of the public, they must be available for inspection:

- (a) at all reasonable hours at the offices of South Cambridgeshire District Council;
- (b) on the Council's website; and
- (c) in the case of documents to be available for inspection pursuant to regulation 15, on payment of a reasonable fee required by the Council by the person seeking to inspect the documents at the offices of South Cambridgeshire District Council.

The following documents are relevant to this report:

- Business Case for Ermine Street Housing: Report to Cabinet – 12 November 2015
- Business Case for Ermine Street Housing: Report to Council – 26 November 2015
- Ermine Street Housing – Re-phasing of Lending: Report to Cabinet – 7 November 2018
- Ermine Street Housing – Re-phasing of Lending: Report to Council – 29 November 2018
- South Cambs Limited trading as Ermine Street Housing: Review of Business Direction- 2 September 2020

## **Appendices**

**Appendix A:** Ermine Street Housing Business Plan Update (exempt – not for publication by virtue of Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972).

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