

Meeting: Cabinet

Date: 18th May 2021,

Wards Affected: All

Report Title: TorVista Homes Business Plan

When does the decision need to be implemented? Immediately

Cabinet Member Contact Details: Councillor Swithin Long, Cabinet Member for Economic Regeneration, Tourism & Housing, 07419 111618, Swithin.Long@torbay.gov.uk

Supporting Director Contact Details: Kevin Mowat, Director of Place and Martin Philips, Director of Finance

1. Purpose of Report

1.1 To seek approval of the TorVista Business Plan.

2. Reason for Proposal and its benefits

2.1 We want Torbay and its residents to thrive.

We want Torbay to be the premier resort in the UK, with a vibrant arts and cultural offer for our residents and visitors to enjoy; where our built and natural environment is celebrated and where we play our part in addressing the climate change emergency.

We want Torbay to be a place where we have turned the tide on poverty and tackled inequalities; where our children and older people will have high aspirations and where there are quality jobs, good pay and affordable housing for our residents.

2.2 Members will recall reviewing a draft Business plan at Cabinet on the 23rd March 2021. At the time an independent review of this Business plan had been undertaken and it was decided that the plan should incorporate any recommendations identified as part of the review before coming back to Cabinet for consideration. The plan at appendix A incorporates those recommendations and are shown 'tracked'.

2.3 The recommendations from the review focused around providing additional information and explanation around the assumptions used within the plan and further detail on the figures contained. The recommendations did not request any alterations to the figures or the objectives set out.

2.3 The proposals in this report help us to deliver this ambition by setting out an ambitious plan to significantly increase the number of affordable homes in Torbay, providing a range of accommodation types to assist all client groups. The

nomination rights Torbay Council will have to these properties will allow it greater flexibility to act strategically and meet the needs of those clients with complex and multiple needs.

- 2.4 The Business Plan sets out not only the financial aspects of the activity proposed but also the wider vision, strategic priorities and governance structures that are to be adopted.

- 2.5 The plan also sets out that, of the first 360 homes delivered by TorVista Homes over 200 will be social rent properties. Also within the first 360 homes it is proposing that TorVista Homes will deliver a wide range of 1,2,3 & 4 bed properties for:
 - Extra Care
 - Temporary Accommodation
 - Off the shelf purchases
 - General needs accommodation
 - Sheltered accommodation

3. Recommendation(s) / Proposed Decision

- 3.1 That Cabinet approve the TorVista Homes Business Plan attached at Appendix A.

Appendices

Appendix A – TorVista Homes Business Plan – Confidential item - Part 2

Background Documents

Supporting Information

1. Introduction

- 1.1 Torbay Council asked TDA to set up a Housing Company as a way to increase the supply of affordable housing within Torbay and to ensure that the Council's strategic housing needs were being met.
- 1.2 The process for becoming a registered housing provider is complex, very involved and requires a significant amount of work. The sector is expertly regulated by Homes England (HE) and the Regulator for Social Housing (RSH) who require a range of information to be sure that the new organisation will be a fit and proper landlord and comply fully with all the regularity standards.
- 1.3 As part of the company set up it is important to have a Business Plan which sets out the values of the company, its objectives and what it wants to achieve over the plan period. Therefore this document does this and it also considers all of the financial aspects of the company so that it can be seen that there are sufficient funds for the company to operate.
- 1.4 The financial assumptions linked to development activity will change and evolve as the detail of schemes are developed and crystallised. As this is a 'live' model the financial elements within the plan will be updated regularly to enable TorVista's Board to monitor the financial performance.
- 1.5 Whilst the financial parameters will change on a regular basis, the overall Business Plan should be reviewed periodically by the Board to ensure it remains current, relevant and in step with the sector and wider environment.
- 1.6 It should be noted that while the plan incorporates all the costs associated with the day to day operations and development activity each development still requires individual decisions to proceed where the viability will be robustly scrutinised. After any Board approval each scheme then also requires Council's S151 Officer to review and approve or not the detailed business case.

2. Options under consideration

- 2.1 TorVista Homes could have put forward an alternative plan demonstrating activity either more or less ambitious than the one being considered. However it is felt that this plan incorporates all the objectives of the Council whilst still providing room for ambitious delivery.
- 2.2 The Business Plan incorporates an additional 200 'aspirational units' on sites and opportunities currently unknown. It is recognised that there will be asks of the company and opportunities that arise during the plan period and including these units demonstrates ambition whilst also the capacity to deliver.

3. Financial Opportunities and Implications –

- 3.1 The financial implications of this new venture for the Council are inevitably considerable. The scale of development and the figures to be invested are considerable although this spend is complemented by significant investment by

Homes England by the way of grant. The Business Plan on the lower level of assumed houses will incur expenditure on the purchase and construction of housing of over £62m. The Council, the ultimate owner of both Torvista Homes and TEDC Developments, is expected to be the main source of borrowing (over £45m) and therefore will need to ensure that the company remains financially viable in the short and long term whilst meeting its key objectives. The loan arrangements will see both the principal and interest repaid during the term.

- 3.2 Paragraph 1.6 above refers to the previous approval by Council for the approval process for any request for borrowing by Torvista Homes from the Council.
- 3.3 The Council working closely with the Directors of the TDA and Torvista Homes will need to ensure that appropriate due diligence is continually undertaken on the housing activities for both its governance and its financial performance. The TDA have offered Council staff full access to the modelling and professional advice that supports the Business Plan. As paragraph 1.4 states the financial assumptions are a “live” model that will be regularly updated.
- 3.4 The initial business plan as presented has been reviewed by the Torvista Homes and TDA Boards. The financial information presented in the Business Plan is based on forecasts prepared by the TDA Head of Finance. A “industry standard” financial modelling tool called “Bricks” has been used to provide the financial forecasts and the TDA have obtained both legal and financial advice on the most appropriate structure for the housing functions which has resulted in the creation of Torvista Homes (a company primarily for purchasing and renting houses) and TEDC Developments (a company primarily for the design and build of housing assets as commissioned by Torvista Homes).
- 3.5 The financial assumptions used within the plan have prudent and there are a number of stress tests included to demonstrate the robustness and resilience. The regulator requires the company to show scenarios that will break the business plan for us to set out how mitigation can be put in place to prevent these.
- 3.6 As Torvista Homes housing plans are progressed TEDC Developments will be used as a “design and build” company. As these progress the Council will expect the appropriate governance and financial controls for TEDC Developments along with the establishment of the contractual relationships between Torvista Homes and TEDC Developments.

4. Legal Implications

- 4.1 TorVista Homes are a registered company with both Investment Partner and Registered Provider status. As such the regulator monitors the activity of the company very closely. In addition to the internal and external audits that are required they undertake their own annual audit.
- 4.2 Where the Council provides loan finances for development then these are subject to separate legally binding loan agreements. This document will place obligations on TorVista Homes to use this money for the purposes agreed and detail the arrangements for ‘additional rent’ which will be used to service the loan.
- 4.3 There will be formal nomination and grant agreements in place detailing the rights the Council have and the nomination procedures for that individual scheme.

5. Engagement and Consultation

- 5.1 TorVista Homes have engaged with the Portfolio Holder, the Leader, Deputy Leader and Senior Council Officers throughout the process of developing this Business Plan.
- 5.2 Both TorVista Homes and TDA Board have also been fully engaged and have approved the Business Plan.

6. Purchasing or Hiring of Goods and/or Services

- 6.1 There are no procurement issues associated with approving the Business Plan.

7. Tackling Climate Change

- 7.1 TorVista Homes are committed to providing efficient, desirable homes where people want to live. They will look for all new build homes to be as sustainable as the funding will allow with priority going to measures that reduce fuel poverty for their customers.

8. Associated Risks

- 8.1 Given the scrutiny undertaken in developing the TorVista Homes Business Plan, including Homes England, the TorVista Homes Board, TDA Board, senior Cllr's and senior Council Officers, any associated risks are considered to be minimal.
- 8.2 Financial risks linked to individual housing schemes and the associated borrowing costs, will be subject to separate decisions rather than this overarching business plan.

Equality Impacts

9.	Identify the potential positive and negative impacts on specific groups		
	Positive Impact	Negative Impact & Mitigating Actions	Neutral Impact
Older or younger people			There is no differential impact
People with caring Responsibilities			There is no differential impact
People with a disability			There is no differential impact
Women or men			There is no differential impact
People who are black or from a minority ethnic background (BME) <i>(Please note Gypsies / Roma are within this community)</i>			There is no differential impact
Religion or belief (including lack of belief)			There is no differential impact
People who are lesbian, gay or bisexual			There is no differential impact
People who are transgendered			There is no differential impact
People who are in a marriage or civil partnership			There is no differential impact

	Women who are pregnant / on maternity leave			There is no differential impact
	Socio-economic impacts (Including impact on child poverty issues and deprivation)	The improvement of facilities and lease re-gear is likely to have a positive impact on locality.		
	Public Health impacts (How will your proposal impact on the general health of the population of Torbay)			There is no differential impact
10..	Cumulative Council Impact (proposed changes elsewhere which might worsen the impacts identified above)	N/A		
11.	Cumulative Community Impacts (proposed changes within the wider community (inc. the public sector) which might worsen the impacts identified above)	N/A		