

WV Living  
City of  
Wolverhampton  
Council Housing  
Company

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COUNCIL



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WV LIVING

building homes you will love

# Wholly Owned Housing Company Development of the Business Case

## What is covered

- Outline the proposition to develop a Council owned housing company
- Why this approach was considered
- What will be delivered
- How the business model works
- Approvals and Future Programmes

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# Why build more housing?

- The City of Wolverhampton Council Corporate Plan recognises the need to deliver more housing at a quicker pace
- Over 8,000 households on the housing register
- An increase in delivery pace needed to meet projected household need
- The house building industry is unlikely to deliver pace required without Council intervention

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# Key Drivers – Housing Supply (1)

- Demand for housing across all sectors/tenures
  - New build
  - Market Housing
  - Market rent
  - Sub market rent
- Demand assisted through gov't programmes
  - Help To Buy
  - Help To Buy ISA

# Key Drivers – Housing Supply (2)

- Increase the quantum of housing developed in the City
- Develop a sustainable, well managed market rent model in the City
- Stimulate private housing markets
- Provide new pathways to low cost home ownership
  - Shared ownership
  - Rent to Buy
- Contribute to regeneration programmes subject to risk profile

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# Key Drivers - Finance

- Capital receipts for the General Fund
- Revenue income to the General Fund through additional Council Tax and New Homes Bonus payments
- Generate revenue income to the General Fund through lending to the company to build
- To use rent levels based on the Local Housing Allowance (LHA) to ensure affordability and manage risks where appropriate

# Options considered for new housing delivery (1)

1. Rely on market forces
  - unlikely to significantly increase the rate of build
2. Public sector land disposal programme
  - reliant on market forces
3. Housing Revenue Account (HRA) new build
  - limited ability due to borrowing cap/social rent policy
4. Joint Venture with private sector Partner



# Options for new housing delivery (2)

## 5. Wholly Owned Housing Company

- Trading company set up to develop market (and sub market) housing for rent and sale
- Housing developed on a commercial basis outside of the HRA

# Appraisal of Options

Criteria	Weighting	HRA New Build		Wholly Owned Company (WOC)		Joint Venture	
		Before weighting	After weighting	Before weighting	After weighting	Before weighting	After weighting
Potential to deliver the level of homes in a five year timeframe	5	1	5	5	25	5	25
Timely procurement	4	4	16	4	16	1	4
Supports risk transfer	4	2	8	3	12	4	16
Potential to complement and enhance the Council's wider regeneration strategies	2	4	8	4	8	4	8
Meets sustainability objectives	4	5	20	5	20	4	16
Enables Council control of development	5	5	25	5	25	3	15
Attractive to the private sector	3	4	12	4	12	5	15
Legally deliverable	5	5	25	5	25	5	25
Potential to achieve Value for Money	4	4	16	4	16	3	12
Weighted Score (200 max)			155		179		156

*Weightings based on assumed level of importance to deliver outcomes and within timescale*

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# Housing Company Opportunities

- Council owned land supply
- Low costs finance available from the Council via prudential borrowing to finance house building outside of the HRA
- Established ALMO to offer housing management services
- Housing Company set up as trading subsidiary of the City of Wolverhampton Council
  - Compliant with EU procurement regulations as under control of Council

# Viability of this approach

- Initial modelling demonstrated that the Housing Company approach stacked up financially
- Modelled based on 3 sites with little market appetite/value to test viability
- 114 properties overall
- 80 for sale, 34 for rent

# Financial Summary

- The model produced a surplus of £1.3m
- Based on a modest assumption of only 1% rent increase per year over 30 years, this could be higher
- Return based on borrowing assumptions
- Rent figures sound as based on current market rental levels
- Build costs based on national construction costs index
- Surplus is after build costs, net of repairs and maintenance, inflation and life cycle and exit costs
- Demonstrated to deliver 114 dwellings on 3 sites with zero/negligible market worth.
- Model assumes exit after 30 years via disposal of any remaining properties to a registered social landlord, disposal costs are covered within the model

# Managing Risk

- Risk managed by assessment of each development
- Pipeline of land supply across different markets to spread risk
- Financial modelling based on an exit strategy in event of risks being realised via HRA/affordable housing model

# Risk 1 - Unable to sell market housing

## Impact

- Capital receipts not realised
- Reduced ability to fund further development

## Mitigation

- Joint Venture to spread risk
- Convert to market rent
- Convert to affordable rent

# Risk 2 - Unable to let all market/sub market housing

## Impact

- Reduced income stream
- Reduced ability to repay debt and fund further development

## Mitigation

- Renegotiate loan terms (timescale)
- Convert to market sale
- Convert to affordable rent

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# Risk 3 – Government applies restrictions to wholly owned companies

## Impact

- Reduced income stream through rent
- Right To Buy
- Reduced ability to repay debt and fund further development

## Mitigation

- Assess development on HRA business terms
- Renegotiate loan terms (timescale)
- Convert to market sale
- Convert to affordable rent

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# Risk 4 – Rents levels fail to keep up with loan charges

## Impact

- Reduced income stream through rent
- Reduced ability to repay debt and fund further development

## Mitigation

- Assess development on HRA business terms
- Renegotiate loan terms (timescale)
- Convert to market sale
- Convert to affordable rent

# Establishing the company

## Options/ Mechanisms

- i. Direct Subsidiary of the Council
- ii. Direct Subsidiary of ALMO
- Corporation tax liabilities favored the former
- What is needed to deliver:-
- Land Supply and developing the pipeline – the disposals programme – 5 year programme
- Financing the new build – loan from Council financed through the PWLB

# Establishing the company

## Options/ Mechanisms

- Light organisational structure”
- City Council is sole shareholder
- Directors appointed and controlled by the Council
- Business Planning and Monitoring Group
- Project Board to drive strategy and delivery
- Limited “back office” resourcing required from the Council – WV Living has no employees
- £40m commercial Funding from City Council including £1m Share

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# Establishing the Company

## Options/ Mechanisms

- Houses developed for market rent will be owned by the Company
- Affordable Housing to be sold to the Council and let through the Housing Revenue Account
- Housing developed through the Council's Housing Development Team

# Establishing the Company Considerations

- Branding is important  
“WV LIVING” has its own Identity
- 5 Year Land Supply
- Council’s approach to the use of its land identified for Housing development
- Speedy establishment of delivery
- Increase overall housing delivery from circa 500 to 700+ per annum

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- Timeline
- June 2016 - Cabinet approval to set up Housing Company
- September 2016 - First Business Plan approved
- Quarterly/Half Yearly – Updates to business plan

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- Phase 1 – 4 sites
  - 3 Former schools following Building Schools for the Future programme
  - 1 Leisure Centre
  - 3 sites medium sized up to 80 units
  - 1 site large circa 270 units

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- Phase 1
  - Mixture of new homes across the 4 sites
  - Market Sales
  - Market Rent
  - Affordable Housing

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- On site – Early Summer
- First homes to be completed Spring 2018
- Sales and Marketing key
- Future phases in development

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Buying or renting in Wolverhampton...

### Buy or rent homes in Wolverhampton with WV Living

Our Developments

Take a look at our latest developments: Danesmore Pastures, Peascroft and Sweet Briary. A range of 2 bed apartments, and 2, 3 and 4 bed houses in the Wolverhampton area.

Advice for the home buyer

Need advice about buying your home? A first time buyer or looking to rent? Want to know how much you can borrow or want more information about Equity Loans, Shared Ownership and Mortgage Brokers?

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## Danesmore Pastures

A collection of 2, 3 & 4 bedroom homes

Located in Ashmore Park, Wednesfield, Danesmore Pastures is an exciting new development of 2, 3 and 4 bed homes. The contemporary design and high specification creates an attractive mix of homes whilst the development itself is beautifully laid out. [Find out more...](#)



## Peascroft

A collection of 2, 3 & 4 bedroom homes

Located in Bilston, Peascroft is an exciting new development of 3 and 4 bed homes. The contemporary design and high specification creates an attractive mix of homes whilst the development itself is beautifully laid out. [Find out more...](#)



## Sweet Briary

A collection of 2, 3 & 4 bedroom homes

This impressive new development of 2, 3 and 4 bedroom homes showcasing contemporary design and high specification creates an attractive mix of homes located less than a mile from picturesque East Park. [Find out more...](#)



### Our latest developments

Here is a list of our latest developments in the Wolverhampton area.

- Danesmore Pastures
- Peascroft
- Sweet Briary

### Our properties

Take a look at our beautiful two, three and four bedroomed homes.

- 🏠 **The Bantock** - 4 bedroomed detached
- 🏠 **The Hayward** - 2 bedroomed semi-detached
- 🏠 **The Leveson** - 2 bedroomed apartment
- 🏠 **The Moseley** - 4 bedroomed detached
- 🏠 **The Newbolt** - 3 bedroomed semi-detached
- 🏠 **The Pelham**
- 🏠 **The Wigham**





- Viability and Commercial operation
- Driven by detailed market intelligence
- Returns for the Council
- Pump primes the Housing Market
- Accessible home ownership
- Help to Buy
- Shared Ownership
- Private Rented Offer

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- Up to 800 – 1,000 new homes over 5 years
- Future Sites through the Council's disposals programme
- Starter homes initiative
- Regeneration
  - Heath Town high rise estate
  - City Centre living future options

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