



A BETTER CHOICE FOR **PROPERTY**



A BETTER CHOICE FOR
**BUILDING
CONSULTANCY**

Introduction

- Welcome
- Presentation on the Council's implementation of Trading Companies
- Why now?
- Objectives
- Financial analysis
- Governance arrangements

Why now?

- Funding beyond 2015
- Ambition for the Council
- Change and innovation – new ways of delivery
- Driving an income stream for the Council
- Influence at local Level
- Difficult economy
- Making a difference and meeting need

Why now?

- Pressure for new homes
- Mixed tenure
- Quality of homes
- Using our expertise
- Being more entrepreneurial
- Robust business case
- HRA reform limitations

Business objectives Property Company

- To be the leading property company in Kent
- To maximise the return to the Council from its asset portfolio and exploit opportunities for acquisitions, development and commercial return from assets
- To create a delivery model that puts elements of the Council activities at arm's length



Business objectives Property Company

- To provide a range of high-quality housing across tenures
- To deliver market housing in order to cross-subsidise the provision of local needs housing
- To ensure that housing developed within the borough is of the appropriate quality, type and affordability

Business objectives Property Company

- To provide commercial facilities that stimulates both a jobs-led market and the local economy of Ashford
- To carry out initiatives that provide financial returns to the Company
- To provide or procure landlord services to the tenants of any rented housing

Business objectives Property Company

- To encourage and promote house building activity during the current recession and any future economic downturns
- To compliment Council operations in a coherent manner

Ashford building consultancy proposal

To use our expertise and build up
our existing consultancy services
provided in and outside of the
borough on a profit-making basis



Business objectives Building Consultancy

- To provide a modest income to help support wider community benefits
- To promote and support the quality agenda associated with new development
- Establish a legal trading platform to enable other services to be provided
- Compliment and strengthen the statutory Building Control service



How it will work?

- Build upon the existing consultancy work we do 'at cost recovery only' currently worth £58k
- Charge out existing Ashford Borough Council staff resources to company at £X and then company to charge client £X+%
- Build upon our client base to do more work outside of borough
- Ability to scale resources against demand

Main risks

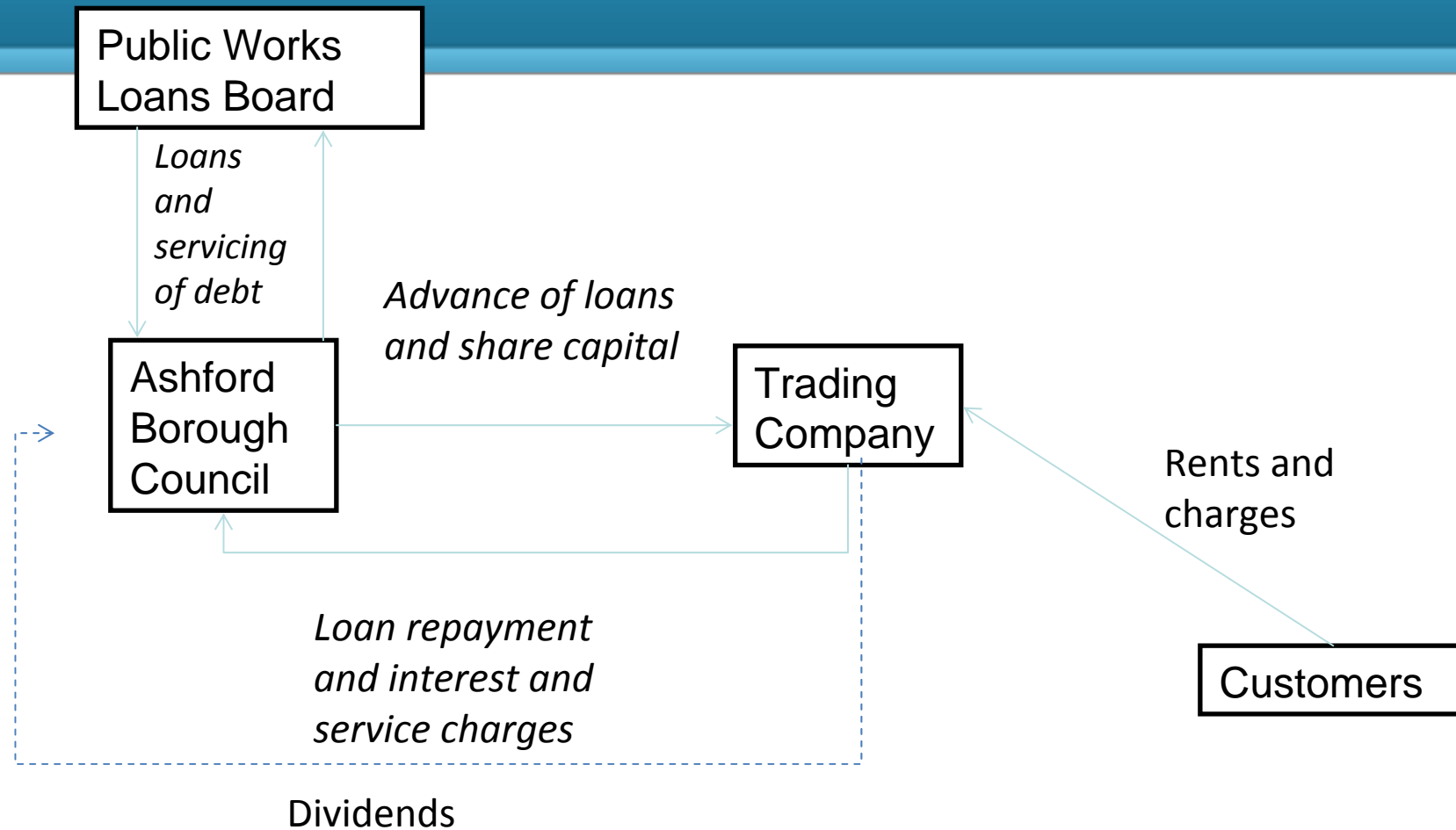
- Continued lack of growth in construction sector
- Core Ashford Borough Council costs too high to enable consultancy to provide competitive pricing
- Predicted financial growth not met
- Retention of key staffing
- Changes in legislation, sustainability standards

Opportunities

- Look to extend scope of consultancy into new areas i.e. Rights of Light, Expert witness
- Provide high-profile work in London where scale of projects are much larger
- Linking with other local authorities increasing both market but also additional staffing resource
- Partnership with other private sector providers



Financial Analysis Model of cash flows



Financial returns for the Council

Short term	Medium to long term
Margin on interest rate	Margin on interest
Distribution of profits	Distribution of profits
	Capital gain on assets
	Sale of equity to partners

Financial risks to the Council

Risk	Mitigation
Company cash flows unable to service debt	Loans will be secured on Company assets which could be seized
Company has inadequate insurance and incurs a loss	Directors will have a duty to make sure adequate insurances are in place
Challenge on basis of state aid	Advice has been sought on appropriate interest rates to charge and SLAs will be established when services are brought
Right to Buys	Assured shorthold tenancies, through a trading company

Financial modelling undertaken

- Business plans present the outcome of the modelling undertaken
 - Pessimistic outcome
 - Modest profits
 - Repays debt and meets liabilities
- Assumptions have been tested and are robust

Financial modelling undertaken

- Housing Company model represents the first phase of investment – once established there is scope for further investment once business case established
- Growth options for the property company dependant on market conditions
- Capacity will need to be considered as companies grow

Trading Companies governance

What is it?

- Corporate governance is a term that refers broadly to the rules, processes, or laws by which businesses are operated, regulated, and controlled

Purpose

- To provide Structure to the Companies
- To provide Control
- To provide Accountability
- To reduce Risk

Structure

- Two separate Ltd Companies
- Memorandum & Articles
- Board of Directors



Accountability and control

- Two aspects
 - Internal
 - External

Internal control and accountability

- Memorandum and articles
- Financial regulations
- Audit requirement
- Board of directors
- Company secretary

External control and accountability

- Company law
- Special measures re Ashford Borough Council

Special measures re Ashford Borough Council

- Wholly owned by Ashford Borough Council
- Controlled Company legislation
- Service Level Agreement for Ashford Borough Council staff
- Shareholder Agreement
- Trading and Enterprise Board (sub-committee of the Cabinet)

Questions and Answers

