

HILLINGDON FIRST LIMITED

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| Committee name | Corporate Services, Commerce and Communities Policy Overview Committee |
| Officer reporting | Iain Watters, Corporate Finance & Hillingdon First Limited |
| Papers with report | None |
| Ward | All |

HEADLINES

This report provides an overview of the establishment, governance, operations and performance of the Council's wholly owned subsidiary housing development company – Hillingdon First Limited. The company was established in April 2018 to deliver high quality housing and generate a sustainable revenue stream for the Council, with the sale of units from the firm's first development adjacent to South Ruislip Library on Victoria Road, Ruislip currently underway.

RECOMMENDATIONS:

That the Committee note the performance to date of Hillingdon First Limited.

SUPPORTING INFORMATION

Establishment and Governance of Hillingdon First Limited

1. In November 2017, Cabinet approved the establishment of a housing development company in order to support delivery of new homes for residents and support the Borough's wider economy within the Council's role as a strategic housing authority. The company was expected to contribute towards the delivery of quality housing for residents while generating a long term revenue stream greater than could be secured through disposal of surplus land alone.
2. Hillingdon First Limited was incorporated in April 2018 as a Company Limited by Shares, with 100% of the share capital retained by the Council. As sole shareholder, the Council will retain control of the Company, including the flexibility to change aspects of its purpose and operation or even cease, transfer or dispose of the Company in the future. This control is exercised in a variety of ways, from the appointment of directors, provision of funding, Articles of Association and a Shareholder Agreement which sets out performance levels required and tolerances (e.g. financial and decision making) within which the company may operate.
3. Alongside establishment of the company, a Shareholder Committee of the Cabinet was established to fulfil the shareholder function of the Council and oversee the company's activities. On creation, this committee consisted of the Leader of the Council and the then

Cabinet Member for Finance, Property and Business Services, which was revised to reflect the new Cabinet structure in January 2021 with a membership consisting of the Leader of the Council, Deputy Leader of the Council and Cabinet Member for Property & Infrastructure and Cabinet Member for Finance.

4. Key company decisions such as the commencement of projects and approval of the annual Business Plan are presented to the Shareholder Committee, alongside updates on performance and matters arising as necessary. The company's Business Plan sets out specific projects to be undertaken alongside financial projections for the current and future financial years, and provides a key mechanism through which the Council can direct the company's activities.
5. The company is only permitted to raise finance from the Council, through either the issue of share capital or borrowing at a commercial rate through the Loan Facility approved by Cabinet on incorporation of the company. Funding is only released to the company for schemes identified within the Business Plan and is subject to the standard Capital Release democratic controls, ensuring that Members retain an appropriate level of oversight over the company's operations.
6. To date, the company has not directly employed any staff and alongside the commissioning of specialist external services – for example employer's agents – relies primarily upon support of existing Council services for which the company fully reimburses the Council. This support includes but is not limited to – the three company directors, major projects team, legal, finance and procurement services.

Operations and Performance of Hillingdon First Limited

7. The first project undertaken by Hillingdon First Limited was the construction for open market sale of 31 flats on the site adjacent to South Ruislip Library on Victoria Road (referred to as South Ruislip Plot B prior its sale to the company) and pictured below. This project is nearing completion, with practical completion having been achieved in January 2021 and reservations in place for 25 of the 31 units – leveraging in support to date from the Government's Help to Buy Scheme to assist residents in securing their new homes.



8. The March 2020 Business Plan outlined an estimate of £10,045k of initial investment in this scheme, with an expected profit of 10% or circa £1m before interest and corporation tax representing the financial return on the project. As final accounts are tallied it is expected that this level of return has been secured and following completion of sales is to be repatriated to

the Council after allowing for overheads, financing charges and corporation early in in the 2021/22 financial year. This development has been undertaken on surplus land sold to the company by the Council at open market value, with the Council securing both the proceeds of this land transaction and ultimately this additional profit.

9. While it had originally been expected that this scheme would be completed in summer 2020, the well publicising impacts of the COVID-19 pandemic on the construction industry – in terms of both working arrangements and supply chain – resulted in delays to the build programme. In line with in-house Council schemes, the company has worked closely with the appointed contractor through regular monthly reviews and other mechanisms to minimise these impacts in terms of extension of time and avoid cost pressures on the project.
10. A second smaller development consisting of five houses at St Helen's Close, Cowley has also been worked up within the business plan and recently subjective to competitive tender to secure a design and build contractor. Subject to the outcome of this procurement exercise and the approval of the Council via the Shareholder Committee, this second project would be expected to commence during the coming months.

Next Steps for Hillingdon First Limited

11. It had always been intended for the first development to act as a proof of concept, demonstrating that the company would be able to design, build and sell quality housing units at a profit, which would then enable expansion of the business model to increase both the delivery of quality housing and associated financial returns. With the successful completion of this first project, albeit later than planned due to COVID-19, the company is now in a position to confidently take on further projects – with the annual refresh of the Business Plan during February and March 2021 providing an opportunity to identify and scope potential development opportunities.
12. In contrast to a number of other local authority property companies, Hillingdon First Limited (in line with its objectives as set by the Council) has remained focused upon in-borough residential development – recognising the consistent demand for quality housing from a growing population within the Borough and the risks associated with commercial and / or out of borough development.

Implications on related Council policies

13. A role of the Policy Overview Committees is to monitor services within its remit and make recommendations on service changes and improvements to the Cabinet who are responsible for the Council's policy and direction.

How this report benefits Hillingdon residents

14. None at this stage, pending any findings by the Committee and any recommendations forwarded to Cabinet.

Legal comments

15. None.

Financial Implications

16. These are set out in the report.

BACKGROUND PAPERS

None