

HEART OF CUMBRIA
UPDATE FOR OVERVIEW AND SCRUTINY COMMITTEE
3RD SEPTEMBER 2020

	<u>Introduction</u>
	This report was due to be given in November 2019 and again in March 2020, and on each occasion has been postponed due to unforeseen events. It therefore represents a “catch up” of previous reports plus the latest information on the Company’s performance.
	<u>Annual Report</u>
	The annual report which was presented to the Company’s Annual Meeting in November is attached for information. It showed that the Company had made some progress whilst a review of its governance arrangements was undertaken by the Council.
	<u>Current Year to Date</u>
	<p>During the first three months of the year the Company drew up a work programme that included:</p> <ul style="list-style-type: none"> • taking the transfers of 16 properties from Persimmon • recruiting and induction of new directors to fill the vacancies on the Board and, thereafter, • drawing up a new business plan.
	The coronavirus pandemic inevitably impacted on those plans. Both directors are key workers for their respective council employers and needed to focus on emergency response management. Formal board meeting were therefore cancelled in March, April and May. This did not halt operations and the Company agreed to help the Council by providing 2 properties to help discharge homelessness duties exacerbated by the virus, and continued to take transfer of properties from Persimmon (see below).
	The vacancies on the Board reduce its strategic capacity and mean it has little resilience. So far the impact of this has been limited by the need to wait for clarity of the Council’s funding capacity and lockdown. Clearly, for the Company to be able to maximise its role, recruitment to the Board needs to be a key priority during the latter part of 2020.
	There was little delay in completion/transfer of properties and the Company has taken all expected 16 properties from Persimmon in March, June, July and the last week of August, bringing the total to 25 out of the 81 to be purchased from Persimmon. Lockdown restrictions impacted on the ability of the Company to finish these properties for letting and, indeed, the ability of people to move house. This has reduced the speed with which these properties can be tenanted. I will update the committee with the most recent occupancy figures at the meeting.

	<p>The company has purchased 17 units in 2020/21 (4 units completed on 27/8/20). As at the end of August 2020 it now owns 37 units (representing 46% of total units to be purchased). A further 9 units are due to be purchased in 2020/21 (this would represent 57% of total units).</p> <p>Currently 21 units are let and 16 units are empty (14 of which were purchased in June, July & August). It has not been possible to finish and let these properties due to the lockdown and backlog for carpet fitters etc after lockdown. Only 1 month's rent is in arrears at the present moment.</p> <p>Voids cover 32 months of rent in the current year from a possible 123 months of rent. Tenanting the empty properties and reducing void times will be a key action for the Company going forward.</p>
	<p>The Company's assets have increased in value from £520,500 in 2018/2019 to £1,241,250 in 19/20. So far the Company has borrowed £1.397m from the Council for the purchases up to 27/8/20 and the deposit to secure all 81 properties.</p> <p>Interest is paid annually to the council and the first principle repayment is due 31/3/2026. The rate of interest is higher than the Council could earn by investing the money loaned to the Company. Along with payment for officer time supporting the Company this generates a small surplus for the Council.</p> <p>The impacts of the pandemic so far will not prevent the Company making its first payment on time.</p>
	<u>Business Plan</u>
	<p>The Company's current business plan is attached as a confidential paper. The Board needs to understand what support and assistance the Council will be able to provide in order to understand what scope it has and whether it needs to seek finance elsewhere (e.g. borrowing in the market place). Again, the pandemic has caused delays and uncertainties, which will take time to resolve.</p>
	<u>Summary</u>
	<p>The financial position of the Company remains strong, and it is well placed with the support provided by the Council to deliver on its affordable housing aims. Once the Council is clear what further support it can provide to the Company it will be able to strengthen its Board and refresh the business case with a view to also delivering on its economic development aims.</p>

Signed: *Gareth Owens*

For and on behalf of the Heart of Cumbria Ltd

Dated: 28th August 2020