

Appendix 2:
Business Plan

Maidstone Property Holdings Business Plan

Contents

1. Vision
2. Purpose
3. MPH Values
4. Governance Arrangements
5. MPH Structure
6. Financial

1. VISION

- 1.1.1 In adopting this Business Plan, Maidstone Property Holdings Limited (MPH) intends to become a significant residential landlord in the private rented sector operating within the Maidstone Borough.
- 1.1.2 MPH seeks to maximise commercial returns to the Council as its sole shareholder but also to set new standards in terms of the quality of private rented stock offered and service delivered to residents.

2. PURPOSE

- 2.1.1 MPH will be a vehicle to:
- 2.1.2 Demonstrate market rented accommodation can provide high quality homes and service that is affordable to its target audience;
- 2.1.3 Provide an alternative solution to enabling a balanced housing market within the Maidstone Borough;
- 2.1.4 Develop innovative models that champion quality;
- 2.1.5 Generate a sustainable income stream for the Council that will contribute towards the delivery of public services for the benefit of Maidstone's community;
- 2.1.6 Regenerate brownfield and smaller sites that may not be attractive to volume house builders;
- 2.1.7 Stimulate local economic growth through job creation and supporting local businesses during the construction and management of its assets;

3. MPH VALUES

- Giving best value for agreed quality.
- Never compromise on the health and safety of our customers and staff.
- Openness, transparency, trust and integrity for all customer relationships.
- Be accountable for our conduct and decisions.
- Offering continuous operational improvements.
- To manage all resources in a responsible, efficient and effective manner.
- Being environmentally aware – Eco friendly solutions.
- Committed to sourcing local services, where possible.

4. GOVERNANCE ARRANGEMENTS

- 4.1.1 MPH was incorporated on 11th September 2016 with the intention of establishing a Local Authority Trading Company (LATC). The Council's Medium Term Financial Strategy (MTFS) has an overarching objective of relying on self-generated resources. MPH is part of the solution to achieving this aim, whilst further benefiting our residents by providing high quality homes and housing management services.

- 4.1.2 The Council is legally able to establish a wholly owned trading company. The Council is the sole shareholder and all shareholder decision making is undertaken through the Council's Policy & Resources Committee or delegated to the Council's Director of Finance and Business Improvement (who will also be the corporate representative on behalf of the Council at any general meeting).
- 4.1.3 The governance arrangements between the Council and MPH are set out in the Articles of Association and the Operational Agreement that they have entered into.
- 4.1.4 This Business Plan will be delivered in full compliance with the governance requirements set out by the Council. MPH will seek to maintain and enhance MBC's reputation and brand for high standards.
- 4.1.5 MPH will establish and maintain an effective service and financial performance management reporting system, which will include transparent and regular reporting to the MPH Board of Directors and the Council's Policy & Resources Committee.
- 4.1.6 MPH is a company limited by shares. MPH is a commercial company that does not exist to provide services back to the Council. MPH is a responsible residential landlord of wholly commercial character. It is established to meet needs in the general interest having a commercial or industrial character. Notwithstanding its public sector ownership, MPH is not a contracting authority under public procurement law.
- 4.1.7 MPH will be subject to the audit and inspection by the Council and its auditors.

5. MPH STRUCTURE

- 5.1.1 Strong and transparent governance of MPH is critical to success to ensure that the strategic objectives, commercialism and on-going performance required by MPH's Board of Directors and this Business Plan are achieved.
- 5.1.2 The MPH Board of Directors shall comprise:
- 5.1.3 At least four Directors appointed by the Council, one of whom will be an appropriate officer drawn from the Mid Kent Legal Services team. The Directors will appoint a Chair for the MPH Board from within their number.
- 5.1.4 The MPH Board of Directors will appoint an officer to carry out company secretarial duties from within the Council's Democratic Services Team. Additional support for MPH will be provided by the Council's support services upon request.
- 5.1.5 The MPH Board of Directors will be responsible for day to day operations. Each Director shall be able to make decisions on behalf of MPH to ensure its proper and legal functions are discharged, where this has a monetary value of up to £20,000.

- 5.1.6 Decisions likely to incur a value in excess of £20,000 and below £100,000 must be approved by at least two Directors. Decisions with a value higher than £100,000 must be agreed by the full MPH Board of Directors.
- 5.1.7 Substantial or significant changes to the operation of MPH and/or this Business Plan must be approved by the Council as shareholder.
- 5.1.8 MPH may enter into contract or agreement with third parties in order to ensure the purpose of MPH, as detailed in this Business Plan, is achieved.

6. FINANCIAL

- 6.1.1 The Council will make up to £35,000,000 (thirty five million pounds) available in order to deliver private market rental units over a five-year period expiring 2024. The final decision on the amount of funding and the form this takes will be made by the Council. This will not preclude MPH from sourcing funding externally if appropriate and where the requisite authority of the Council as Shareholder is obtained. The investment assumes an average amount of £200,000 per property. This is in addition to the first tranche of properties acquired by MPH, being 20 residential units at Granada House but includes Lenworth House.
- 6.1.2 The PRS portfolio that MPH operates will be acquired and/or developed by the Council. The acquisition or development will be funded by the Council. The Council will retain the freehold interest in the entire portfolio but let the properties to MPH on a long term fully repairing lease on commercial terms. MPH will then, in accordance with this Business Plan, determine the way in which the properties are managed.
- 6.1.3 Therefore, assuming that the £35m portfolio were to generate a 6% gross return, the MPH income/turnover will eventually rise to as much as £2.1m per annum.
- 6.1.4 The financial ambition therefore for MPH will be to generate a modest profit rent each year, in terms of the following;
- 6.1.5 Rental income received from tenants, less;
- 6.1.6 Rent payable to the Council;
- 6.1.7 Management;
- 6.1.8 Voids & Bad Debt;
- 6.1.9 Maintenance;
- 6.1.10 All associated overheads.
- 6.1.11 The MPH Board of Directors will target a 5% profit rent on all properties that it agreed to lease from the Council, as a buffer against cost overrun, and as annual profits are banked, and reserves accrue, these monies may be returned to the Council as a dividend, or utilised for investment in housing management infrastructure and systems.

6.1.12 In terms of committing this additional £35m, the MPH pipeline for indicative schemes is as follows;

Scheme	Units	Total Scheme Cost	Handover	Status
Scheme A	14	£ 2,475,000	Jan-19	Complete
Scheme B	14	£ 3,383,709	Jun-20	On site
Scheme C	16	£ 3,107,170	Sep-20	On site
Scheme D	24	£ 4,490,970	Oct-20	On site
Scheme E	36	£ 7,200,000	Jun-22	Feasibility
Scheme F	50	£ 10,000,000	Oct-22	Feasibility
TBC	25	£ 5,000,000	TBC	TBC
	179	£ 35,656,849		

6.1.13 The Council may determine to change the financing provided to MPH and/or the volume of properties to be leased to MPH and the duration of the delivery period.

6.1.14 MPH will provide the Council with regular information concerning MPH's performance on delivery against the agreed targets.