

REPORT TITLE: VENTA LIVING LTD - BUSINESS PLAN 2025-26

3 FEBRUARY 2025 – CABINET COMMITTEE: HOUSING

13 MARCH 2025 – CABINET

REPORT OF CABINET MEMBER: Councillor Chris Westwood, Cabinet Member for Housing

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WARD(S): ALL

## PURPOSE

Providing Homes for all is a key priority within the Council Plan, which includes supporting households who struggle to access affordable longer-term market housing. To support this priority the council has established a wholly owned local housing company, Venta Living Ltd.

This report brings forward a financial business plan for consideration required under the shareholder agreement with Venta Living Ltd, with an illustrative business model based on leasing 41 flats in Winnall.

Although there is no proposal to expand the remit of the company in 2025/26, the business case allows for future opportunities to be considered on a case-by-case basis and fulfils the council's policy objectives to provide homes for all.

Approval of the updated financial business plan will allow Venta Living Ltd to continue trading in 2025/26 based on the recommended business plan.

RECOMMENDATIONS:

To Cabinet Committee: Housing

1. To review the updated financial business plan, at Appendices A and B in the exempt part of the agenda and recommend its approval to Cabinet.

To Cabinet:

1. To approve the updated financial business plan as recommended by Cabinet Committee: Housing.

IMPLICATIONS:1 COUNCIL PLAN OUTCOME

## 1.1 Tackling the Climate Emergency and Creating a Greener District

## 1.2 Venta Living Ltd supports the following Council Plan priorities:

a) Tackling the climate change and creating a greener district – the Winnall flats are designed to be highly sustainable. Their convenient location within the city supports the Council Plan objectives to promote walking, cycling and use of public transport.

b) Homes for all – meeting local need through a wider range of tenures.

c) Vibrant local economy – supporting working households to live and work in the district.

2 FINANCIAL IMPLICATIONS

2.1 The latest iteration of the company leasing model is presented in the business case. The financial impact of this is shown in the exempt Appendix B within this report.

2.2 The leasing model, which was agreed in July 2023 (CAB3406H refers), is based on the company managing the properties and the lettings; with the council retaining responsibility for the building, its maintenance and fixtures and fittings. Venta Living Ltd let the properties and collect the rent, deduct from this a proportion of the gross rent receivable, sufficient to cover its costs of management and overheads, and passing the net rent receivable after these deductions to the council as a lease payment.

2.3 The reasoning behind setting the deductible amount as a percentage of the gross rent receivable is that it will provide more certainty to Venta Living Ltd about the amount it will receive to fund its operations each year. This allows the company's costs to increase with rental growth but provides comfort to the council that these costs are controlled.

2.4 The deductible amount in the proposed updated business plan will be c21% ongoing.

2.5 The table below shows the summarised estimated financial position of Venta Living Ltd over the 30 years of its business plan. This shows that as the lease payment is essentially the net cash flow after deducting operating expenses that the model essentially does not make any material profit or loss for the company. Projected cumulative retained profit for the company over the 30 years of the lease of just £24k, is essentially the interest earned on bank balances and an amount set aside for the allowance for doubtful debts. The projected profit will be subject to corporation tax.

- 2.6 Within the current business model, the HRA holds the risk of rent loss through voids, with the company retaining responsibility for income collection and bad debts.
- 2.7 The Venta Living Ltd business plan is presented in UK GAAP (Generally Accepted Accounting Practice) format, which represents the basis that the Company will publish its financial reporting.
- 2.8 In the event that the Company accounts are incorporated in the council's group Financial Statements, the accounts will need to be converted to an IFRS (International Financial Reporting Standards) basis. The Company's accounts are not considered to be material enough to warrant the production of consolidated accounts, however an IFRS compliant version of the plan has been produced separately to facilitate incorporation in the future.
- 2.9 There is no proposal within the business plan to change the agreed business model or leasing arrangements.
- 2.10 The current leasing structure model works for the rental of the Winnall block of 41 units however, the combined impact of the Subsidy Control Act and the risk upon the councils 5% VAT partial exemption limit mean that the company's ability to replicate future growth through the use of this leasing arrangement is materially and permanently constrained.

### 3 LEGAL AND PROCUREMENT IMPLICATIONS

- 3.1 None

### 4 WORKFORCE IMPLICATIONS

- 4.1 None

### 5 PROPERTY AND ASSET IMPLICATIONS

- 5.1 None

### 6 CONSULTATION AND COMMUNICATION

- 6.1 Proposed rent increases will need to be communicated to tenants. A minimum of one month notice is required.

### 7 ENVIRONMENTAL CONSIDERATIONS

- 7.1 Properties leased to Venta Living Ltd are energy efficient, have lower carbon emissions and are resilient to climate change, in particular, overheating, flood risk and extreme weather events.

## 8 PUBLIC SECTOR EQUALITY DUTY

- 8.1 The proposals in this report are consistent with the current Housing Strategy, which was subject to an Equality Impact Assessment. The proposals maintain the housing offer to the community and compliment the council's current offer which includes social and affordable rented housing and shared ownership homes. This supports the Homes for All priority.
- 8.2 Ongoing marketing of any remaining units at Winnall, or advertising in respect of reletting, will need to ensure that relevant information is accessible to all potential applicants, and in particular that no-one is disadvantaged on the basis of either race or disability.

## 9 DATA PROTECTION IMPACT ASSESSMENT

- 9.1 None Required

## 10 RISK MANAGEMENT

- 10.1 Key risks and opportunities for the Council are set out below:

<b>Risk</b>	<b>Mitigation</b>	<b>Opportunities</b>
<b>Financial Exposure</b> 1) That Venta Living Ltd becomes non-viable, with risk to the company as a going concern 2) Risk to the Council as sole shareholder of financial intervention in the event that Venta Living Ltd runs into financial difficulty 3) VAT – risk that the council's partial exemption threshold will be breached by excessive repairs	Suitably qualified non-executive directors have been engaged and Board meetings take place regularly.  Financial performance is reviewed as part of the Board meeting agendas to identify and mitigate any potential cost pressures.  The business plan makes sufficient provision for marketing and advertising of empty flats for relet and includes an assumed level of void turnover.	

& maintenance spend on the properties leased to Venta Living Ltd 4) Running costs significantly exceed budget 5) Rents received are significantly lower if full occupation cannot be achieved		
Exposure to challenge		
Innovation  1) Expansion of the wholly owned subsidiary company by the council.	The council's role as sole shareholder will ensure control over the company.  Potential opportunities to be subject to due diligence processes, including external legal advice, intelligence gathering and discussions with local authorities and other registered providers	The current approach enables homes to be offered to a vehicle that has freedom to deliver to a broader market than the council can through its current housing stock.
Reputation Tenant satisfaction	The Board receive regular updates on tenant satisfaction measures and are empowered to take relevant decisions.	

## 11 SUPPORTING INFORMATION:

- 11.1 The background to the creation of the Housing company is covered in previous committee reports including CAB3366, CAB3401, and CAB3406(H).
- 11.2 Venta Living Ltd was subsequently established in May 2023, and is now actively trading following the handover of the flats to the Company in June 2024. Primary activity through 2024 was to ensure that flats are let to tenants and to ensure processes and procedures are robustly set up and managed.
- 11.3 The Board of Directors of Venta have considered and agreed the submission of the business plan at its meeting of 6<sup>th</sup> December 2024. There are no proposals to change the services to be provided to the Company by Winchester City Council.

11.4 The Council will continue to provide the following services at a fixed cost of £69k (inflated according to September inflation data), with any additional works at variable cost.

- a) Lettings and Housing Management
- b) Building Services
- c) Accountancy
- d) Company Secretary
- e) Estates services

11.5 The key proposals in the Business Plan for 2024/25 are detailed in the exempt appendix but includes:

- a) A proposed rent increase of 4.5%, based on market intelligence
- b) Additional resource in the business plan to ensure resources are in place to minimise voids in the event that a) flats have not been fully occupied by 1<sup>st</sup> April 2024, and b) to ensure turnaround of future empty units are adequately resourced.

11.6 As at the time of writing this report (Late November) there were still approximately 10 flats not yet let. This is partly due to the flats being handed over to Venta later than had originally been assumed in the previously approved business plan. This has led to a reduction in estimated income in the 2024/25 financial year and this is reflected in the updated business plan attached to this report.

11.7 There are currently no proposals to expand the remit of the company, with the current primary focus being solely on ensuring full occupation by April 2025 and consolidating the existing operations of the company. However, if any opportunities were to arise, then the Directors are willing to engage with the shareholders to assess viability prior to the development of a business case. There is currently one Director vacancy which the council can recruit to subject to agreement of the business plan.

## 12 OTHER OPTIONS CONSIDERED AND REJECTED

12.1 No other options were considered.

### BACKGROUND DOCUMENTS:-

#### Previous Committee Reports:-

- CAB3406(H): Establishing a Local Authority Housing Company; Cabinet Committee (Housing), 10 July 2023 and Council 20 September 2023

- CAB3401: Establishing a Local Housing Company Cabinet, 16 March 2023
- CAB3366: Housing Company – Revised Options and Business Case Cabinet, 14 December 2022
- BHP022: New Homes Programme Update Business and Housing Policy Committee, 21 September 2021
- Presentation: Housing Development Strategy Business & Housing Policy Committee 1 December 2020
- CAB3160: Establishing the Winchester Housing Company Cabinet, 18 September 2019, and Council 25 September 2019
- Presentation: Housing Company Business and Housing Policy Committee 18 June 2019 CAB3139(HSG): Establishing the Winchester Housing Company Cabinet (Housing) Committee 20 March 2019 and Cabinet 25 March 2019
- CAB2990(HSG): Establishing Local Housing Companies to Support New Homes Development Cabinet (Housing) Committee 22 November 2017 and Cabinet 6 December 2017
- CAB2911(HSG) – Establishing Local Housing Companies to Support New Homes Development Cabinet (Housing) Committee 22 March 2017
- CAB2616(HSG): Options for Increasing the Supply of Affordable Housing Cabinet (Housing) Committee 1 October 2014

Other Background Documents:-

None

APPENDICES:

EXEMPT Appendix A – Venta Business Plan 2025/26

EXEMPT Appendix B – Venta Financial plan 2024/25 to 2054/55