CORPORATE OVERVIEW AND SCRUTINY PANEL – 16 NOVEMBER 2017

DRAFT RESIDENTIAL PROPERTY ASSET INVESTMENT STRATEGY

1. INTRODUCTION

1.1. The Council introduced a new strategy to invest in commercial property at the beginning of 2017 in support of its stated priorities as a means of income generation, for economic redevelopment and regeneration or a mixture of both.

1.2. In the report to the Cabinet in January 2017 on the strategy proposal for investing in commercial property, reference was made to a separate strategy to be prepared at a later date on potential residential property investments. This strategy is for the Council to invest in residential property, in particular:

1.2.1. to purchase privately owned residential properties, either as existing private sector rental income producing units or with vacant possession for letting to private sector tenants.

1.2.2. to develop sites that the Council owns or has acquired to build dwellings to deliver a more diverse range of housing and tenures to include open market rental properties, sales and affordable housing offered under a range of different tenures.

2. BACKGROUND

2.1. The Council's Corporate Plan 2016-2020 states that the Council continually reviews activities and services to identify opportunities for savings and opportunities to generate income to address significant reductions in government funding, whilst at the same time maintaining services that are important to our customers. The viability of the local economy depends in some areas of the District on the availability of suitable and affordable housing. "More homes for local people" is one of the Council's key priorities as set out in its Corporate Plan.

2.2. This strategy to invest in residential property has a number of aims:

2.2.1. Introducing additional income streams to the Council's General Fund
2.2.2. Enabling greater flexibility to deliver a more diverse range of housing and tenures, to include market rented properties and sales.
2.2.3. Directly building, leasing or purchasing new residential property
2.2.4. Providing private sector rented properties from a reputable Landlord that has a proven track record in the provision of and management of rented residential property in the locality
2.2.5. Accelerating housing delivery
2.2.6. To act as an additional provider of affordable housing offered under a range of different tenures.
2.2.7. To retain the discretion to invest in residential property outside the District.

2.3. The October Medium Term Financial report covering the period to 2021/22 shows that, over that period, the Council has a projected cumulative budget shortfall of £1.399m (based, amongst other things, on a 1% pay award). It is considered that a meaningful contribution towards ensuring continued delivery of the Council's key services can be achieved through investment in good quality income producing residential property. The strategy is supplemental to other strategies being adopted by the Council that also aim to help close the Council's funding gap.

2.4. In order to fulfill the aims of the strategy, the Council will establish a Wholly Owned Company limited by shares to acquire, build, hold and manage the properties through a number of subsidiary companies (for the purpose of this strategy, such a company or group of companies will be referred to as the "WOC"). In a survey reported in Inside Housing in 2016, more than one third of local authorities indicated that they had or intended to establish a housing company to provide housing.

2.5. The Council has the capacity to invest approximately £10M in a residential property investment strategy utilising current reserve balances, although the Council will need to be mindful that this may have a bearing on the size and scope of the future capital programme before borrowing may be required, and may result in the need to utilize monies currently invested in higher yielding funds. This strategy should also be flexible enough to enable further investment, utilizing external borrowing if necessary, should the opportunity for larger developments arise.

2.6. The Council will need to determine the most efficient weighting on equity vs debt finance to the WOC as well as the interest rate applicable to debt finance and whether the loans should be made on a fixed or variable rate basis. The mix of equity and debt funding should reflect a prudent commercial approach. The business plan for the WOC should make it clear how the debt and equity will be repaid to the Council over the course of each business plan.

2.7. The management of the Council's cash is dictated within the Council's Treasury Management Strategy and is held within a variety of investment types. The average yield achieved as at July 2017 from these investments was 0.99%. The investment portfolio at this date included £8M in pooled property and equity funds which are higher earning (5.27% achieved), with the majority of other funds being held with less than 1 year to maturity.

2.8 The Council is already the biggest provider of housing within the District, managing its own stock of approximately 5,000 properties in the social rented sector. The Council has implemented a housing strategy to acquire additional housing for social rent through the buyback of former council houses, the purchase of new affordable homes from developers and the development of its own land to build new homes for social rent, for example at North Milton and Compton Sarum. The Council has experience and skills in the acquisition, delivery and management of housing, which can be applied to the wider residential sector.

3. THE FINANCIAL STRATEGY AND BUSINESS CASE

3.1. The Council's adopted corporate plan covering 2016-20 includes several key priorities that can be related back to this strategy. The priorities identified include:

3.1.1. Living within our means
3.1.2. More homes for local people
3.1.3. Protecting the local character of the place

These are underpinned by important Council's values:

3.1.4. To be ambitious in our desire to work for and with our local communities
3.1.5. To be financially responsible for public funds
3.1.6. To be innovative and open in our approach

3.2. Local authorities are seeking to become more self-sufficient and not reliant on grant funding. An important issue when implementing the Residential Property Asset Investment Strategy is the value of the property portfolio and the expected target net yield. It is recommended that a target for investment return aims to make a significant contribution towards the current forecast budget deficit mentioned in 2.3.

3.3. Although the Council's cash balances averaged at £74.7m in the 12 months to July 2017, they are forecast to decrease over the next few years. The level of usable General Fund reserves is currently around £19m. It is envisaged that an internal borrowing arrangement would take place to finance the debt element of the initial £10m investment, although the Council's Responsible Financial Officer will ensure the most efficient use of internal funds in relation to current and forecast external borrowing rates to ensure the strategy is financially sound over the long term.

3.4. Officers believe that the Council could currently potentially borrow funds with the Public Works Loan Board ("PWLB") at a rate of around 2.5% - 3.00%. The PWLB fixed interest rates are based on gilt yields and are published twice a day. The PWLB needs to be satisfied the Council is acting lawfully when borrowing funds.

3.5. NFDC already has substantial loans of c£144M following the Housing Revenue Account resettlement. The Council's prudential indicators, which are agreed as part of the Treasury Management Strategy and Annual Budget 2017/18, include for example, a limit on external debt. The agreed size, funding mix and anticipated timing of the acquisitions of the property portfolio would need to be taken into account in the prudential indicators, to include an increase in the overall external debt limit.

3.6. It is necessary for the Council to take a prudent approach to the management of its financial affairs. When assessing investments taking a prudent approach, the Council will need to consider such factors as the security against loss, the liquidity of the investment, the yield, affordability of the loan repayments, change in interest rates and property values.

3.7. In short the Council must get the right balance between risk and reward in a prudent manner to ensure the cost of funding the Residential Property Asset Investment Strategy does not fall on the tax payer.

The Residential Property Market

3.8. The New Forest District is positioned at a mid-point between the South East and South West regions of England. The major conurbations of Southampton and Bournemouth are beyond the District's boundaries to either side and linked by the M27/A31 south coast corridor. The District consists of small towns and villages. The region is a relatively prosperous part of the UK and is considered to have a good degree of economic resilience. According to the 2011 Census, the population of the New Forest was approximately 176,500. Between 2001 and 2011, the population increased by about 7,100. Current forecasting undertaken by Hampshire County Council suggests that the population will increase to about 179,500 by 2023.

According to the same 2011 Census data, there were about 9,290 privately rented properties in the New Forest District Council area. The percentage of households in private rented accommodation in the District increased from 7% in 2001 to 12% in 2011.

3.9. Nationally, nearly one in four households will be living in the private rented sector by 2021 according to a Knight Frank Research Paper published in 2017. Knight Frank has estimated that by 2021, there will be 14.3 million owner occupier households, 5.8 million private renters and 4.3 million social renters. In the private rented sector, their survey suggests that currently 34% of renters are couples without dependent children and 25% are single person households without dependent children. Their survey also suggests that young professionals – aged 25 to 34 make up the largest proportion living in the private rented sector and this is expected to remain the same in 2021. Although 30% of renters state that their main reason for renting is because they are saving for a deposit to buy a property, it is likely that this group will, by necessity have to stay longer in the rented sector because of affordability and deposit saving issues. According to the survey some 68% of renters still expect to be living in the rental sector in three years' time.

3.10. The Knight Frank Research paper states that "the private rented sector as a whole is changing." In their opinion, one significant change is "the continuing growth of large-scale investment in Build-to-Rent or Multihousing – professionally managed rental accommodation, usually at scale, in purpose-built blocks. This market, which has only emerged in force in the UK in recent years, is now worth an estimated £25 billion. Knight Frank estimate that sector could be worth £70 billion by 2022. The Council's strategy to potentially develop out its own and other sites for rent could be categorised as build to rent, which would be in line with the Government's policy to increase this sector. In a joint venture with Hermes, Countrywide Group have recently completed a build to rent scheme of 324 units. 60% of the units were let or reserved within the first seven weeks: "Unlike a buy-to-let scheme, where the investor has minimal control, we manage the whole site and can realise all the advantages which that brings. We anticipate that this will lead to strong rental premiums, longer leases and better rental returns, all driven by more content customers – a positive outcome for both the investor and the residents." This could be applicable to any build to rent scheme that the Council might undertake through its residential WOC.

3.11. A recent report from Savills (Q4 2016 residential market) stated that in their opinion "the outlook for rents is stronger and more stable than for house prices over the next five years." However they did consider that rental growth will slow next year because of the tightening affordability, greater economic uncertainty related to Brexit, higher inflation and a weak pound. The report concludes by stating amongst other things that the barriers to home ownership remain high. Renting will remain the tenure of choice for younger households.

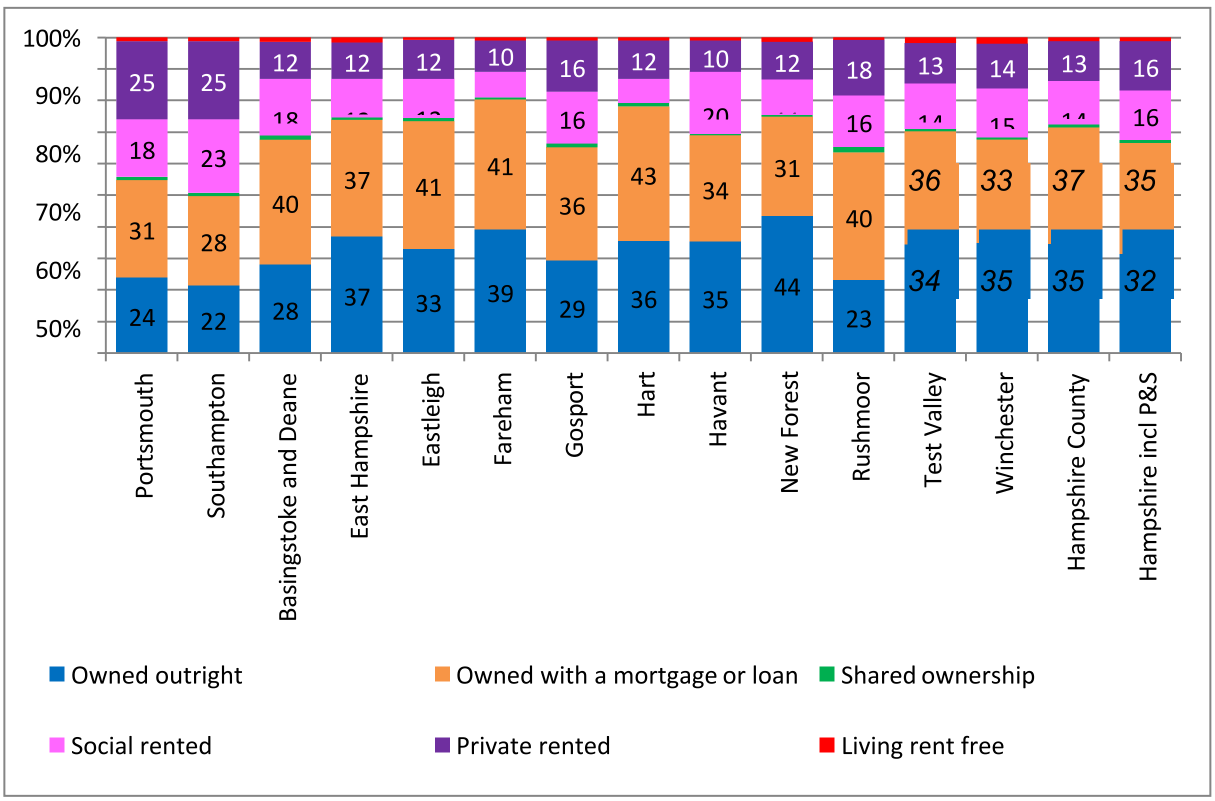
3.12. There appears to be movement by some private landlords of residential rental property to exit the market due to taxation changes which affect individual private landlords. "Landlords really are stuck between a rock and a hard place. All the tax increases they've incurred over the last 18 months have meant they either need to sell their properties and exit the market, or increase rent payments to plug the deficit. Neither of these outcomes benefit tenants; if they exit the market, supply is even more strained and matched with growing demand, rent prices will increase anyway." (Association of Residential Letting Agents). This may mean opportunities arise to acquire residential property for let if private landlords exit the market and also offers the WOC the opportunity to be an attractive landlord for tenants to deal with.

3.13. In the District, the mix of housing occupancy types is as follows:

Ownership/occupancy	**%**
Owned outright	44.0
Owned with a mortgage	31.0
Shared ownership	0.6
Social rented	11.0
Private rented	12.1
Other to include living rent free	1.3
Total	100
Source: 2011 Census and Hampshire County Council's Private Rented Sector Tenure Profile 2014	

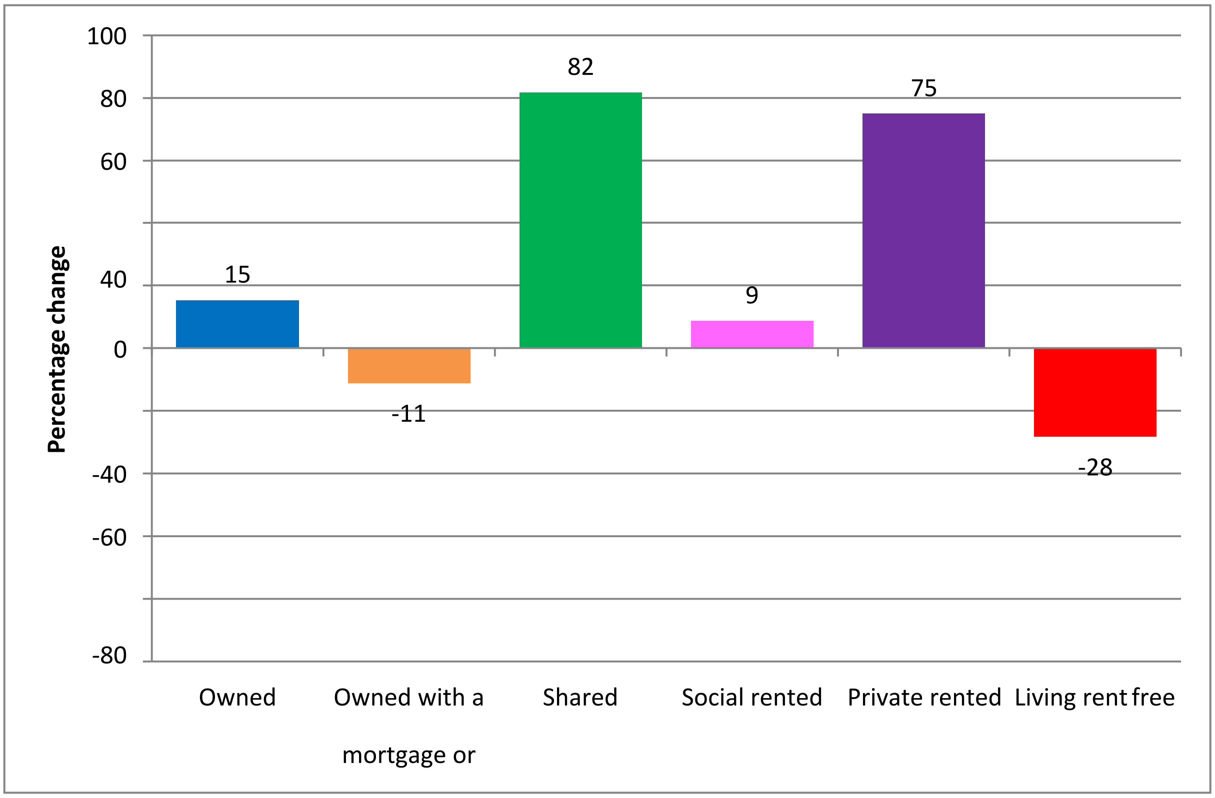
The owner occupied percentage of 76% is higher than in other districts in Hampshire as shown in the table below:

Households by tenure, Hampshire, 2011



Hampshire County Council's Private Rented Sector Tenure Profile 2014

3.14. The table below shows the change in the number of households by tenure in Hampshire 2001 - 2011 which again indicates the trend towards private rented and shared equity occupation in particular.



Hampshire County Council's Private Rented Sector Tenure Profile 2014

3.15. 2011 housing stock by size and occupancy type:

Housing size	Market	Affordable	Total	% of total
1 bedroom	4,185	2,528	6,713	8.8
2 bedrooms	17,583	3,051	20,634	26.8
3 bedrooms	29,239	3,029	32,268	41.9
4+ bedrooms	17,021	316	17,337	22.5
Total	**68,028**	**8,924**	**76,952**	**100**
Source: 2011 Census and Hampshire County Council's Private Rented Sector Tenure Profile 2014				

3.16. There remains strong demand for residential properties to rent in the District, more especially for 2 or 3 bedroomed properties in areas such as West Totton, Calmore and Ashurst. The local agents are also reporting that the voids between lettings is no more than 1 to 2 weeks and that after some initial uncertainty over rental levels/affordability earlier in the year, rental levels are holding up. Average local lease terms are in the region of 18 months.

3.17. House prices in the UK have consistently increased over the long term. The average price has risen by 273% since 1959 in real terms (i.e. after allowing for retail price inflation), at an average annual rate of 2.7%. House prices have risen at a faster pace than average earnings since 1959. National average earnings have increased at an average real rate of 2.0% a year. House prices recorded their biggest increase in the latest decade with a real rise of 62% during the 2000s; marginally ahead of the 61% increase in the 1980s. The worst decade for house prices was the 1990s when prices fell by 22%.

3.18. While the level of historic house price increases cannot be guaranteed to continue, the statistics above are consistent with the assumptions that have been used in the financial modelling report prepared for the Council by Grant Thornton and referred to later in this paper. Although the British economy faces a considerable period of uncertainty until the outcome and impact of the Brexit negotiations are known, there is likely to be a considerable under supply of housing in the short to medium term even if inward migration is reduced and population increases reduce due to many years of significant undersupply/new building. Estimates put the need for additional housing in England at between 232,000 to 300,000 new units per year, a level not reached since the late 1970s and two to three times current outputs.

3.19. Affordability is a significant challenge within the New Forest District and a study was commissioned by the Council to consider affordability of housing within the District. Many households are unable to exercise a reasonable degree of choice to meet their housing needs. Households who would not traditionally have sought affordable housing are increasingly unable to access market housing, impacting on individuals, the economy and the environment.

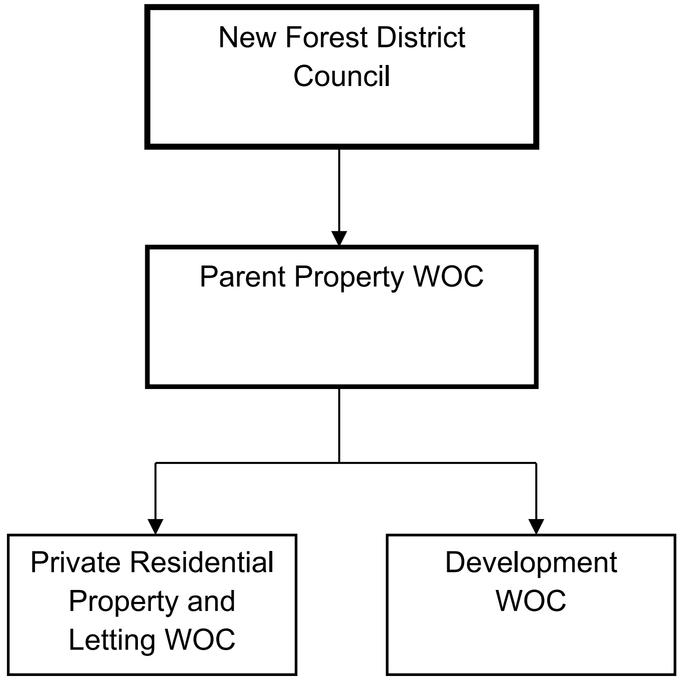
3.20. The study showed average District property prices are presently around £370,000. With an entry level property around £225,000, an annual income requirement would be around £42,000 to purchase a home and around £27,000 to rent in the private sector, with rents ranging from £640 per month for a 1 bed and up to £1,450 for a 3 bed property in the lower quartile rental price range. Based on 2016 data the average income of the resident population is around £29,000 per annum and workplace (employees) income is around £27,000 per annum.

3.21. The study highlighted that social and affordable rental products remain the most needed for those accessing affordable housing and who cannot afford to access the private sector. Shared ownership and shared equity can encourage home ownership. An income of around £27,000 per annum is required to access the private rental market.

3.22. Affordability can be particularly challenging for rural residents often committing higher proportions of their income to housing costs. This can impact on the sustainability of rural communities which can become less diverse.

Holding residential property investments

3.23. The Council will need to hold residential property assets indirectly through a WOC. A group structure would allow for greater flexibility and separate governance arrangements can be implemented given the different expertise that may be required to be made available by the Council to the WOC. The WOC will be a legal entity with a separate identity from the Council and implies a profit-making entity with dividends payable to the Council as the only shareholder. A possible group structure is shown below.



3.24. The WOC will operate through a Board of Directors. Members of the Council will be able to hold the WOC, through the Board of Directors, to account and also set operational parameters for the WOC, for example through a memorandum of understanding setting out a decision making protocol. Members would oversee the business plan(s), checking on performance and deliverables via reports of the Board either in accordance with agreed reporting deadlines or upon request.

3.25. The formation and membership of the WOC's Board will need to be established. It is proposed to consist of 3 Directors, comprising a designated member of Cabinet and 2 senior officers. The WOC's Memorandum and Articles of Association, business plan and other related documentation will set out the relationship between the Council and the WOC and determine the operational framework for the WOC / Board to follow when running the Company's affairs.

3.26. Before commencing trade, the WOC must prepare an approved business plan which will be written in line with the direction of travel provided by this Strategy and provide the operational plan for the proper implementation of the Strategy, being a comprehensive statement of:

3.26.1. The aims and objectives of the business, which should be in line with the aims set out in paragraph 2.2 above as appropriate.
3.26.2. the investment and other resources required to achieve those objectives.
3.26.3. any risks the business might face, how significant those risks are and appropriate mitigation strategies.
3.26.4. the expected financial results of the business, together with any other relevant outcomes that the business is expected to achieve.

<u>Summary of the operational arrangements</u>

3.27. In respect of the development aims, the Council can sell land at market value (determined by an independent valuer) to the WOC and advance to it financing in the form of equity and loans. The WOC may also acquire/assemble land for development. The Council can borrow from the Public Works Loans Board (PWLB) to provide financing on-lent to the WOC at a commercial rate, once internal borrowing has been exhausted.

3.28. The WOC will require funds to develop homes on the transferred or acquired land, and to make acquisitions of existing homes for rent and market sale. The exact mix of rental and sale will be considered on a site by site basis. The cash inflows of the WOC will therefore comprise rents and the proceeds of property sales. These cash flows will be used to service the financing provided by the Council.

3.29. The properties can be designed and developed by external service providers or through internal resources if sufficient capacity is available, which can be procured by the WOC. In developing and maintaining these homes, the WOC will seek to provide opportunities for local suppliers and contractors wherever possible.

3.30. It is most likely that, especially at first, maintenance and management as well as professional services (e.g. legal and finance) will be provided by the Council. Where the Council delivers services for the WOC, these will be charged at market rates in line with a Service Level Agreement (SLA). The loans from the Council to the WOC will be on commercial terms, therefore addressing State Aid concerns.

3.31. Since the Council can source finance from the PWLB below commercial rates, the Council is likely to make a ‘spread’ on the interest payments received from the WOC and those it makes itself to PWLB. The nature of the loan arrangements and categorisation of debt repayments from the WOC as capital receipts in the Council’s finances means Minimum Revenue Provision requirements in relation to the PWLB loans can be met.

3.32. In addition, the Council will benefit from dividend payments from the WOC when the availability of funds allows. The WOC can procure housing management and maintenance services from the Council.

Financing

3.33. An initial capitalization of the WOC in the order of £10m would be funded up to 33% as equity from usable General Fund reserves, with the remaining WOC finance being debt issued by the Council to the WOC, repayable on commercial terms, provided by the Council through internal borrowing or external loan lent onto the WOC. The actual amount of General Fund reserves used will depend on the overall balance available and will be designed to strike an appropriate balance between keeping the WOC solvent, and maximizing the return to the Council. The decision as to whether the Council will borrow externally and at what point in time is a treasury management decision and not directly linked to the purchase of the asset or this strategy.

3.34. The Council may secure its lending to the WOC with legal charges over the property assets of the WOC and/or a debenture over the whole undertaking of the WOC. The business plan for the WOC should make it clear how the debt and equity will be repaid to the Council over the course of the business plan and what assumptions are being made in the business plan.

3.35. The financial return to the Council comes via the interest charges levied on the debt finance issued to the WOC, plus dividend payments, when the availability of funds allow. The rate of interest charge levied will be set on commercial terms. The Council will also charge a management fee per property to the WOC and will levy commercial charges to the WOC for legal and professional services. Interest rates and charges should not be excessive however as this may affect the potential solvency of the WOC.

Timescales

3.36. In view of the property market in the District, the development opportunities and property selection criteria, it is envisaged that implementation of the Residential Property Asset Investment Strategy will commence once the company is established, and ongoing and which is expected during the 2018/19 financial year.

3.37. The Council and officers should take a long term view with the intention of applying the Residential Property Asset Investment Strategy over a period of at least 25-50 years.

4. RISK MANAGEMENT

4.1. The Council will need to consider the potential risks associated with setting up a WOC and identify ways to mitigate these risks, which span across both the development and operating phases, as well as other non-phase related risks such as financial and legislative risk.

4.2. There are a number of risks the Council should consider, all of which could have an impact on the net return to the Council. These include:

- 4.2.1. Development risk including a failure to secure planning permission for schemes, developing inappropriate dwellings, unforeseen costs such as ground conditions, construction cost overrun, defective design or construction, contractor insolvency etc.
- 4.2.2. Capital values and rental values can fall as well as rise.
- 4.2.3. Borrowing costs could increase.
- 4.2.4. Inability to find tenants and/or sell properties, leading to loss of income and delay in WOC repaying debt, and in turn delays in the Council repaying debt.
- 4.2.5. Disputes with tenants and tenant default.
- 4.2.6. Financial risks including that financing costs could rise.
- 4.2.7. External factors. Property investment, whether direct or through pooled funds, is subject to factors the Council cannot control, e.g. failure of tenants, changes in perception of what is a good location, economic downturn etc.
- 4.2.8. How long before Government intervenes to restrict such strategies?

4.3. The WOC, with the support of the Council, will need to put in place appropriate risk mitigation measures as part of its agreements with the Council and the business plan.

4.4. The overall investment value and range of properties being acquired needs to represent a good mix and spread of risk across differing property types, tenures and suitable locations. If the size of the investment is too small, then an adequate mix cannot be established.

4.5. It is important that the Council maintains an adequate level of reserves and balances to ensure it can manage any down turn in the property market and limit the impact it will have on revenue income. There is a risk that substantial expansion of the asset portfolio may result in a lower credit rating.

4.6. All forms of investment carry an element of risk and the acceptance of a risk factor is rewarded by the potential for financial return. The Council will be investing from the public purse and will therefore be seeking investments at the more secure end of the risk spectrum.

4.7. Once finance costs start to rise, the ability of the WOC to meet interest cover may become problematic and there is a risk that the Council will be required to further underpin the financial performance of the WOC via working capital loans. There will also be refinancing costs associated with external borrowing. Officers will prepare a detailed cash flow model for each prospective development project in order to appraise the cash flow risk and the internal rate of return of the investment.

5. ONGOING PERFORMANCE REVIEW

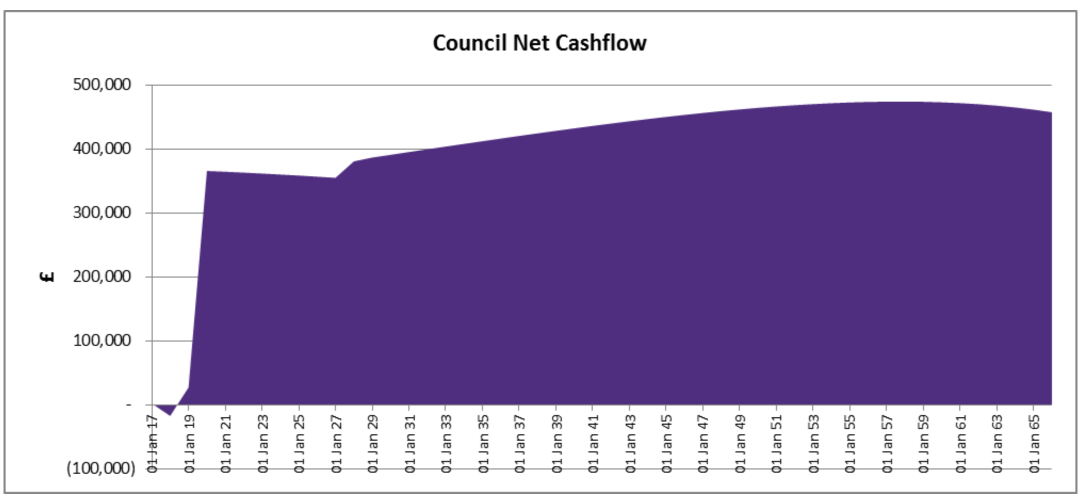
5.1. The WOC will be responsible for providing regular reports on management issues and the performance of the WOC to the Council.

5.2. It is proposed that regular reports are to be provided to a new Sub -Committee consisting of the Portfolio Holder - Finance and Efficiency, Chairman of the Corporate Overview and Scrutiny Panel, the Chief Executive, Executive Head Governance and Regulation and s151 Officer. Such reports would be in addition to the usual 6 monthly reporting requirements to the Corporate Overview and Scrutiny Panel in respect of progress against the Strategy.

6. FINANCIAL IMPLICATIONS

6.1. There will be upfront costs incurred in setting up the WOC. These costs will be kept to a minimum.

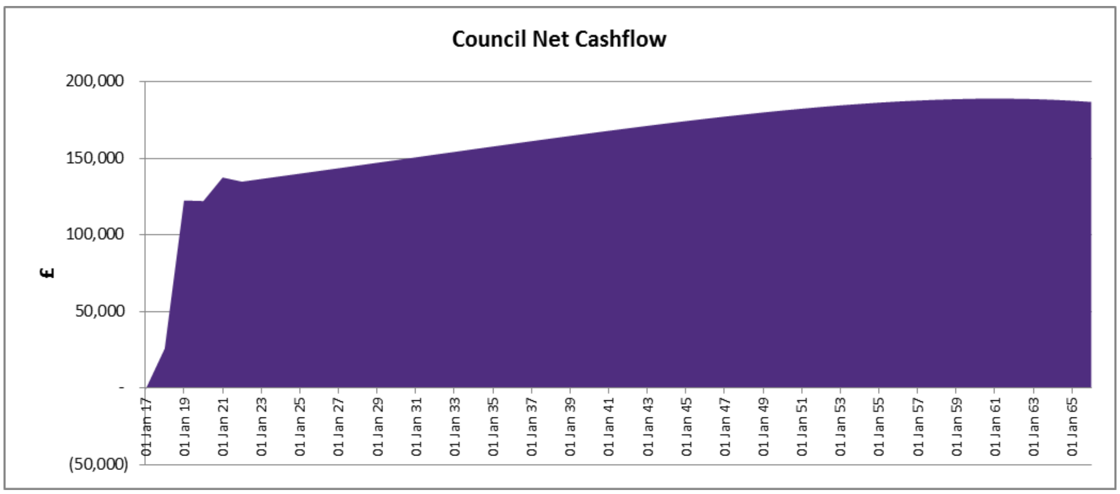
6.2. The following information illustrates the summary financial modelling that would be applicable to a new investment portfolio, based on acquisitions totaling c£10m, taking into account the outline financing and purchase costs as included in previous sections:



High Level Summary:

Dividends	3,470,756	Council Return; Annual Indicative	
Net Cash Surplus	13,398,736	Yr 4	366,224
Sub-Total	**16,869,492**		3.84%
Exit Proceeds	25,075,278	Yr 10	357,302
Total	**41,944,770**		3.74%
		Yr 25	436,695
Council Impact - IRR	5.43%		4.58%
Peak WOC Deficit	54,771		
Year	7		

6.3. The following information illustrates the summary financial modelling that would be applicable to a specific one-off development of NFDC land, whereby the land value (assumed £750k) forms the basis of the equity into the WOC, with the Council providing debt finance for development costs of £2.6m:



High Level Summary:

Dividends	2,309,641	Council Return; Annual Indicative	
Net Cash Surplus	4,529,075	Yr 4	122,088
Sub-Total	**6,838,716**		3.62%
Exit Proceeds	9,578,317	Yr 10	141,766
Total	**16,417,032**		4.20%
		Yr 25	167,981
Council Impact - IRR	5.93%		4.98%
Peak WOC Deficit	19,989		
Year	1		

6.4. The summary financial information provides reasonable assurance that investment in Residential Property is worthwhile, and that development opportunities should be of particular interest, due to the higher returns, and the use of land value to act as equity for the WOC, rather than cash.

6.5. The internal reserves that will be available to invest in the WOC's equity should total no more than 33% of any prospective purchase / overall cost of development. Any expansion of the portfolio beyond the point whereby internal reserves can no longer be utilized will require on-lent prudential borrowing. The cost of any borrowing will form an integral part of the financial evaluation of any purchase / development, and will only proceed if the level of financial return over the long term is appropriate.

6.6. An initial investment portfolio totaling £10m is deemed as reasonable in the balance of risk versus reward, and is sought as a supplementary estimate to the Council's Capital budget. The indicative eventual level of revenue to be generated is estimated in excess of £350k PA. Expenditure and income budgets will be added to the budget at the appropriate time, when properties are identified and purchased.

7. CONCLUSION

7.1. This paper has sought to outline the opportunities and risks of establishing the WOC and to demonstrate that the benefits outweigh the risks over time.

7.2. The WOC can start in a relatively modest fashion, for example by developing some Council owned sites and purchasing a number of investment properties for private market lettings. The WOC can then grow at a pace that the Council is comfortable with and as market conditions and opportunities arise. Ideally a light touch governance arrangement will allow the Company to deliver effectively in the operating commercial environment.

7.3. The rationale for setting up a WOC is clearly defined and agreed. The rationale identified includes the following:

7.3.1. To create a revenue stream which will supplement the General Fund;
7.3.2. To introduce an element of 'commercialism' to service delivery;
7.3.3. To access usable reserves for internal borrowing';
7.3.4. To complement development of new affordable housing within the HRA which will continue regardless;
7.3.5. To assist in meeting the housing need in the District by offering a different housing product to that offered by the Council traditionally;
7.3.6. To establish a commercial model which may be able to be used for other service provision going into the future

7.4. A blended ownership model commencing with relatively small scale development on NFDC owned land, supported by open market acquisitions, would provide a stable annual income source to the Council. Capital growth cannot be estimated with any certainty, but records indicate that although fluctuations happen regularly, the overall trend is one based on underlying capital appreciation over time.

7.5. The Housing Revenue Account and the Housing Revenue Account Business Plan will continue to operate alongside the WOC to deliver investment into new and existing social housing in the district. The WOC may also however be invited to deliver affordable housing in the future.

7.6. The structure and makeup of the Board is at the discretion of the Council, as the sole shareholder. It is however important that the Board members hold the necessary skills and expertise to discharge their responsibilities and run the WOC.

7.7. The Strategy details the financial and business case to support the Residential Property Asset Investment Strategy and sets out the criteria required for selecting investment properties, and an assessment of the risks.

7.8. The Strategy also provides discretion for the WOC to invest in residential property outside the District.

7.9. Accepting the outline principle and purpose of a WOC, the next steps will be to confirm the group structure, to register the WOC, prepare the business plan and documentation, and identify the first projects.