

AGENDA SUPPLEMENT (1)

Meeting: Cabinet - Shareholder Group

Place: Council Chamber - County Hall, Bythesea Road, Trowbridge, BA14 8JN

Date: Tuesday 27 June 2023

Time: 12.30 pm

The Agenda for the above meeting was published on 19 June 2023. Additional documents are now available and are attached to this Agenda Supplement.

Please direct any enquiries on this Agenda to Stuart Figini of Democratic Services, County Hall, Bythesea Road, Trowbridge, direct line 01225-718221 or email stuart.figini@wiltshire.gov.uk

Press enquiries to Communications on direct lines (01225)713114/713115.

This Agenda and all the documents referred to within it are available on the Council's website at www.wiltshire.gov.uk

6 **Shareholder Approvals (Pages 3 - 20)**

Report is attached

7 **Business Plan (Pages 21 - 34)**

Business Plans for the Stone Circle Housing Company, Stone Circle Development Company and the Stone Circle Holding Company are attached

11 **Business Plan (Pages 35 - 322)**

Business Plans appendices for the Stone Circle Housing Company, Stone Circle Development Company and the Stone Circle Holding Company are attached in Part II of the agenda

12 **Outcome of Review of Stone Circle Development Sites (Pages 323 - 328)**

Report is attached in Part II of the agenda

DATE OF PUBLICATION: 23 June 2023

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Wiltshire Council

Shareholder Group

27 June 2023

Subject: Stone Circle Companies Approvals

Cabinet Member: Councillor Richard Clewer, Leader of the Council

Key Decision: Non Key

Executive Summary

This report seeks the Shareholder Group's approval of appointments to the Boards of the Stone Circle Companies and appointment of an employee of Stone Circle Housing Company, as required under the shareholder agreement, as well as delegations to approve further appointments. This report also seeks the Shareholder Group's approval or changes to the Nomination Agreement between the Wiltshire Council and Stone Circle Housing Company.

Proposal(s)

The Shareholder Group is asked to:

1. Approve the appointment of Lizzie Watkin, Director, Finance to the Board of Directors of Stone Circle Holding Company, Stone Circle Housing Company and Stone Circle Development Company.
2. Approve the proposed appointment of Sarah Valdus, Director, Environment, to the Board of Directors of Stone Circle Energy Company.
3. Note the proposed appointment of Peter Dean to the Board of Directors of Stone Circle Housing Company.
4. Note the proposed appointment of Iain Lock to the Board of Directors of Stone Circle Development Company.
5. Approve the appointment of Suzie Furlonger as Administrator for Stone Circle Housing Company.
6. Delegate approval of future employee related decisions to the Corporate Director, Resources or the Deputy Chief Executive or the Director of Legal and Governance, in consultation with the Leader of the Council.
7. Approve changes to the Nomination Agreement between Wiltshire Council and Stone Circle Housing Company as per the proposal from the company

with the amendments made by the Council, as contained in paras 15 and 16 of the report.

Reason for Proposal(s)

The shareholder agreement between the Council and the Companies requires the Companies to seek approval from the Shareholder in respect of appointment of board members and employees.

Stone Circle Housing Company has requested Stone Circle Housing Company has requested amendments to the Nomination Agreement to refine the nomination criteria and related indemnity.

Terence Herbert
Chief Executive

Wiltshire Council

Shareholder group

27 June 2023

Subject: Stone Circle Companies Approvals

Cabinet Member: Councillor Richard Clewer, Leader of the Council

Key Decision: Non Key

Purpose of Report

1. This report seeks the Shareholder Group's approval of appointments to the Boards of the Stone Circle Companies and appointment of an employee of Stone Circle Housing Company, as required under the shareholder agreement.
2. This report also seeks the Shareholder Group's approval or changes to the Nomination Agreement between the Wiltshire Council and Stone Circle Housing Company.

Relevance to the Council's Business Plan

3. The proposals in the report directly support the Council's business plan to Grow the economy by facilitating the provision of affordable homes and developing new housing on public land.

Background

4. The Shareholder Agreement between the Council and the Companies requires the Companies to seek approval from the Shareholder in respect of all Board appointments and appointment of employees.
5. Stone Circle Housing Company has requested amendments to the Nomination Agreement to refine the nomination criteria and related indemnity.

Main Considerations for the Council

6. There is no definitive critique of the make-up of the boards of Council owned companies. Anecdotal information suggest that local authorities take a mix of approaches to board membership and often appoint officer directors to the Boards of companies they own. This is intended to provide a link between the leadership of the Council and the activity and direction of the Companies.
7. Following the resignation of the Director of Assets & Commercial Development from the Council and from the Board of Directors of Stone Circle Holding Company, Stone Circle Housing Company and Stone Circle Development Company, it was proposed that the Director of Finance replace the Director of Assets & Commercial Development on the boards of those companies. These

appointments were made by the companies at the board meetings held on 2 March 2023.

8. Stone Circle Energy Company is dormant. As such it only requires a single director. Following the resignation of Alistair Cunningham from the Council, it is proposed that Sarah Valdus, Director, Environment, replaces him as Director of Stone Circle Energy Company. Further appointments can be made in the event that Stone Circle Energy Company becomes operational.
9. At the Shareholder Group meeting held on 7 November 2022 the Shareholder Group delegated to the Director of Legal & Governance, in consultation with the Leader of the Council to undertake the reserved matter of appointments of the Chair and non-executive directors to the relevant Boards of the Stone Circle companies, in accordance with recommendation 5 of the September 2021 Governance Review.
10. Following a recruitment process the decision has been made to appoint Peter Dean to the Board of Directors of Stone Circle Housing Company and Iain Lock to the Board of Directors of Stone Circle Development Company. These appointments will be made at the board meetings of the respective companies to be held on 6 July 2023.
11. Stone Circle Housing Company has identified the need for an Administrator to support the Housing Manager due to the increasing number of properties and related increase in the volume of work. Suzie Furlonger has been appointed for an initial 3 month fixed term appointment working 3 days per week, this is subject to review and extension.
12. Given the frequency of Shareholder group meetings the delegation in respect of employee related decisions is proposed to allow decisions to be made more efficiently.
13. Stone Circle Housing Company has requested a variation to the Nomination Agreement between the Council and the Company dated 20 March 2020, a copy of which is attached at Appendix 1. The requested variation seeks to refine the nomination criteria and related indemnity by amending clause 4.2 as set out below:

Existing clause 4.2:

4.2 Council to nominate households subject to the following requirements:

- i. Tenancy history of household for the last 5 years.
- ii. Satisfactory credit history checks or satisfactory income and expenditure analysis to show the property is affordable.
- iii. verification of right to rent.
- iv. Confirmation of deposit and rent in advance payment.
- v. For those households who do not have satisfactory history/credit check Council to indemnify rent payments for the first twelve months of tenancy.

Proposed replacement clause 4.2:

4.2 Council to nominate households subject to the following requirements:

- i. Tenancy history of household for the last 2 years.
- ii. Satisfactory credit history checks or satisfactory income and expenditure analysis to show the property is affordable based on a monthly income of 1.6 times the monthly rent, or such other calculation as may be agreed in writing between the Council and the Company.
- iii. Verification of right to rent.
- iv. Confirmation of deposit and rent in advance payment.
- v. For those households who do not have satisfactory history/credit check Council to indemnify rent payments for the first twelve months of tenancy.

14. The Council as Shareholder and in delivering its general fund Housing responsibilities has reviewed the request and proposes the following amendments to the company's request.
15. For clause 4.2 i, replace the proposal with the following ***“Tenancy or address history for the past 2 years evidencing no evictions for Anti Social Behaviour or rent arrears”***, this will allow for clients who have lived with parent(s) and are being asked to leave, which is one of the three main causes of homelessness, and also provides an additional element around coverage for rent arrears and ASB.
16. For clause 4.2 ii, replace the proposal with ***“Satisfactory credit history or satisfactory income and expenditure analysis to show the property is affordable based on rent being no more than 38% of income or such other calculation as may be agreed in writing between the Council and the Company”***, a debt or County Court Judgement (less than 5 years) would be a reason to fail a credit check, and a poor credit score should not be considered as a failed credit check as some clients have never had credit and would have a low credit score.
17. All other proposals as per the company are accepted as proposed, as well as the understanding that the Council will now step in and provide a guarantee for the first twelfth months for any client the Council places that does not meet the requirements under the nominations policy.

Overview and Scrutiny Engagement

18. Select Committees will retain their scrutiny function in relation to the Shareholder Group. The Overview & Scrutiny Management Committee will be able to call the Shareholder Group to account for progress in relation to any Company for which the Council is a shareholder and any returns it is making.

Safeguarding Implications

19. There are no direct safeguarding implications.

Public Health Implications

20. There are no direct public health implications.

Procurement Implications

21. There are no direct procurement implications.

Equalities Impact of the Proposal

22. A low equalities risk score was calculated for the proposals in this report.

Environmental and Climate Change Considerations

23. There are no direct environmental and climate change considerations associated with the proposals in this Report.

Risks that may arise if the proposed decision and related work is not taken

24. The appointment of an officer director to the Boards of the Stone Circle Companies is required to ensure robust governance and appropriate oversight and monitoring of Council owned companies.

Risks that may arise if the proposed decision is taken and actions that will be taken to manage these risks

25. It may be necessary for the Companies, the Shareholder Group and the Director of Finance to monitor and manage conflicts of interest.

Financial Implications

26. There are no direct financial implications in respect of the Director appointments. Neither the Director of Finance or the Assistant Director of Environment will receive additional remuneration for the roles.

27. The Administrator position is in accordance with the Stone Circle Housing Company Business plan.

Legal Implications

28. There are no legal implications to the proposals

Workforce Implications

29. There are no workforce implications to the proposals.

Options Considered

30. The Shareholder Group has the option to disregard the proposals and determine alternative arrangements.

Conclusions

31. The Shareholder Group is asked to adopt the proposals.

Officer

Date of report 22 June 2023

Appendices

Appendix 1 - Nomination Agreement

Background Papers

None

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Wiltshire Council

The logo for Wiltshire Council, featuring a green wavy line underneath the text.

Dated 20 MARCH 2020

WILTSHIRE COUNCIL

and

STONE CIRCLE HOUSING COMPANY LIMITED

Nomination Agreement
relating to properties
purchased with loan finance
from Wiltshire Council

Nomination Agreement relating to properties purchased with loan finance from Wiltshire Council

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This Agreement is dated the 20th of MARCH 2020

Between

(1) Wiltshire Council whose principal office is at County Hall, Bythesea Road, Trowbridge, Wiltshire BA14 8JN (the "Lender" or "Council")

and

(2) Stone Circle Housing Company Limited a company registered in England and Wales under company number 12195127 and whose registered address is at County Hall, Bythesea Road, Trowbridge, Wiltshire BA14 8JN (the "Company")

separately a "Party" and together the "Parties".

It is agreed:

1. Definitions

- | | |
|----------------------------|--|
| "Agreement" | means this agreement; |
| "Commencement Date" | means the date when a tenancy can commence; |
| "Property" | Means property purchased by the Company with use of loan finance from Wiltshire Council under the Loan Agreement and charged against the property be made available to a nominee in accordance with the procedure set out in this agreement; |
| "Lettings Policy" | means the lettings policy of Stone Circle Housing Company Limited; |
| "Nominee" | means a person nominated by the Council who complies with the requirement of the letting policy and has a housing need; |
| "Nomination" | has the meaning given to it clause 3; |

Procedure”

“Nomination Rights” means the rights granted by the Company to the Council to nominate tenants to a Property;

2. Nomination rights

2.1. The Company shall offer the Council Nomination Rights in respect of the all company property in accordance with Nomination Procedure.

3. Nomination Procedure

3.1. The Company shall request from the Council a Nominee for a property no less than 20 working days before the available for letting date.

3.2. If the Company rejects the Nominee, it will request a further nomination within 5 days of the rejection.

3.3. If the Company accepts the nomination of a Nominee, they will offer the property to the Nominee within 5 days.

3.4. If the Nominee rejects the Property, the Company will request a further Nominee within two days of rejection and then again until 5 days before the available for letting date.

3.5. If a Nominee has not accepted the Property by 5 days before the letting date the Company will be free to advertise the Property for letting on the open market.

3.6. Council Nominees made within 5 days of the available for letting date will be considered before any other households who express an interest in the Property.

3.7. The Company will provide information on successful Nominee within 5 days of the Commencement Date.

4. Lettings policy

4.1. Council Nominees to be offered a default assured shorthold tenancy of six months. Subject to tenancy and credit history the length of tenancy will be extended to five years maximum.

4.2. Council to nominate households subject to the following requirements:

- i. Tenancy history of household for up to the last 5 years.
- ii. Satisfactory credit history checks or satisfactory income and expenditure analysis to show the property is affordable.
- iii. Verification of right to rent.
- iv. Confirmation of deposit and rent in advance payment.
- v. For those households who do not have satisfactory history/credit check Council to indemnify rent payments for first twelve months of tenancy.

5. Disposal of the Land

5.1. The Company agrees with the Council that the Company will not dispose of the Property or any part of it except to a purchaser or transferee who is a registered social landlord within the meaning given in the Housing and Regeneration Act 2008 who is willing to enter into an agreement on similar terms to this Agreement in so far as such obligations remain to be observed and performed and prior to any such disposal the Company must seek the written consent of the Council.

6. Liability

6.1. No liability shall devolve on the Council to reimburse the Company for any loss of rent service charge or for any legal or other costs or fees or any other expenses incurred by the Company arising or in any way connected to the Nomination Rights.

7. Notices

7.1 Any notice required to be served shall be in writing and (unless otherwise herein provided) shall be deemed to be sufficiently served if sent by registered or recorded delivery post to the address of the party specified in this Agreement or to such other address (in substitution thereof) as may be notified in writing by that party from time to time for this purpose and in the case of the Council shall be addressed to the Head of Legal Services save for in respect of any notices served in accordance with clause 3 where such notice shall be addressed to the Housing Allocations and Lettings Manager.

8. Equal Opportunities

8.1 The parties shall during the terms of this Agreement comply with the provision of the Equality Act 2010 as it is unlawful for a contractor to discriminate on the grounds of colour race nationality ethnic or national origins (which includes citizenship) sex and marital status in the fields of employment education and the provision of goods and services and the premises and further the Company will consider any failure in respect of the above matters shall also be considered a breach of this Agreement.

9. Data Protection

- 9.1 Both parties shall comply with all applicable requirements of the Data Protection Legislation. This clause is in addition to, and does not remove or replace, a party's obligations under the Data Protection Legislation.
- 9.2 The parties shall comply with their respective obligations set out in Schedule 1 (Data Protection).
- 9.3 Each party shall ensure that it does nothing knowingly or negligently which places the other party in breach of Data Protection Legislation.
- 9.4 The provisions of this clause and Schedule 1 (Data Protection) shall apply during the term of this Contract and indefinitely after its expiry.

10. Dispute Resolution

10.1 If a dispute arises out of or in connection with the Contract or the performance, validity or enforceability of it (a "Dispute") then the parties shall follow the procedure set out in this clause:

- (i) Either party shall give to the other written notice of the Dispute setting out its nature and full particulars (a "Dispute Notice"), together with relevant supporting documents. On service of the Dispute Notice, the Council's representative and the Company's representative (including any other key personnel reasonably required by either party) shall attempt in good faith to resolve the Dispute;
- (ii) if the Council's representative and Company's representative are for any reason unable to resolve the Dispute within 10 days of service of the Dispute Notice, the Dispute shall be referred to the

relevant senior managers of each party who shall attempt in good faith to resolve it;

(iii) if the senior managers of each party are for any reason unable to resolve the Dispute within 15 days of it being referred to them, the Dispute shall be referred to the Council's relevant service director or other senior officer and the Supplier's relevant director who shall meet within 5 days of any failure of the senior managers to resolve the Dispute, and who shall attempt in good faith to resolve it. Such meeting shall be minuted and shall be chaired by the party who first called for the meeting (but the chairman shall not have a casting vote); and

(iv) if the Council's senior officer / director and the Company's relevant director are unable to settle the Dispute the parties shall (subject to any alternative dispute resolution procedures stated in any Form of Agreement) attempt to settle the Dispute either by:

- a. mediation
- b. where appropriate and reasonable in the case of any disputes relating to technical issues, by expert determination.

10.2 During any Dispute, and without prejudice to any other provision of the Contract, it is mutually agreed between the parties that they shall continue their performance of the provisions of the Contract.

10.3 The parties shall bear their own legal costs in respect of the dispute resolution procedure in clauses 10.1 (i) to 10.1 (iii).

11. General

10.1 Neither of the parties to this Agreement may assign or dispose of its interest in this Agreement (other than by way of mortgagee or charge) without the prior written consent of the other PROVIDED ALWAYS that in the event of the Company wishing to assign its interest in this Agreement it shall not be at liberty to do so until such time as the proposed assignee has entered into direct covenants with the Council to carry out any remaining obligations on the part of the Company under the terms of this Agreement which remain to be performed or observed at the time of the proposed assignment

PROVIDED always that nothing contained in this Agreement is intended to bind any mortgagee of:-

- a) the Company or
- b) any purchaser from the Company or
- c) any successor in title from the Company

or any Receiver appointed by such mortgagee nor any successor in title of any person deriving title through or under such mortgagee or Receiver

10.2 Nothing herein contained shall constitute or be deemed to constitute a partnership between the parties hereto

10.3 A person who is not a party to this Agreement has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce or enjoy the benefit of any term of this Agreement

10.4 No variation of this Agreement shall be effective unless it is in writing and signed by or on behalf of each Party.

IN WITNESS whereof this Agreement has been duly executed as a DEED by the parties and DELIVERED on the date which first appears in this Agreement.

THE COMMON SEAL of
WILTSHIRE COUNCIL
was hereunto affixed
in the presence of:




.....
Authorised Officer

Team Leader (Legal)

SIGNED and DELIVERED as a DEED by
**STONE CIRCLE HOUSING COMPANY
LIMITED**
acting by a Director and its Secretary or two
Directors:


..... Director


..... Director/Company Secretary

Schedule 1

Data Protection

1 Definitions

In this Schedule 11 (Data Protection, Processing, Personal Data and Data Subjects):

1.1 Unless defined elsewhere in this Schedule 11 defined terms shall have the same meaning as they have in clause 1, the Definitions.

1.2 In this Schedule 11, the following additional terms have the following meanings unless inconsistent with the context:

Controller has the meaning given to it in the GDPR;

Personal Data has the meaning given to it in the GDPR;

Processor has the meaning given to it in the GDPR;

2 Data Processing

2.1 As at the Commencement Date, the Council has determined that the performance of this Agreement does not require processing of Personal Data.

2.2 The parties acknowledge that each of them retains the role of Controller only for their respective organisation in connection with this Agreement.

2.3 In the event that the Council determines that processing of Personal Data is required for the proper performance of this Agreement, before either party makes any such disclosure:

2.3.1 the parties shall co-operate in good faith to review relevant requirements;

2.3.2 should the Council determine that changes to the terms of this Schedule 1 are necessary to ensure compliance with Data Protection Legislation (the **Required Changes**), the Council will provide at least [one month's] written notice to the Company of the Required Changes (such notice to be given in accordance with clause 51 (Notices)). The Company will upon receipt of such notice confirm that it will accept these changes. For the avoidance of doubt, the variation procedure set out at clause 10.6 (Changes) shall not apply to the Required Changes; and

2.3.3 The Company shall enter into such further agreements relating to compliance with Data Protection Legislation as the Council may reasonably require.

Wiltshire Council

Shareholder Group

27 June 2023

Subject: Stone Circle Company Business Plans 2023/24

Cabinet Member: Richard Clewer, Leader of the Council

Key Decision: Key

Executive Summary

This report seeks the Shareholder Group's consideration of the 2023/24 business plans proposed by the Stone Circle Companies, as required under the shareholder agreement.

Proposal(s)

The Shareholder Group is asked to:

1. Agree the Stone Circle Housing Company business plan 2023/24.
2. Agree the Stone Circle Development Company business plan 2023/24.
3. Agree the Stone Circle Holding Company business plan 2023/24.
4. Note that authority remains delegated to agree the project plan for each development proposed by Stone Circle Development Company, to the Corporate Director Resources (S.151 Officer) in consultation with the Leader.
5. Note that authority remains delegated to the Corporate Director of Resources (S.151 Officer) to conclude detailed contract arrangements and serving of required notices, under the shareholder agreement with and on the Stone Circle Companies including changes to the resourcing contract.

Reason for Proposal(s)

The shareholder agreement between the Council and the Companies requires the Companies to present their proposed business plans to the Council at least three months before the start of the financial year in question.

This report is the outcome of that proposal and the consideration by the Shareholder Group of amended business plans for the forthcoming financial year, which follows a review of the governance of the Stone Circle Companies to ensure that they support the growth of the Companies and protect the interests of the Council as shareholder.

Andy Brown
Corporate Director Resources & Deputy Chief Executive (S.151)

Wiltshire Council

Shareholder group

27 June 2023

Subject: Stone Circle Company Business Plans

Cabinet Member: Councillor Richard Clewer, Leader of the Council

Key Decision: Key

Purpose of Report

1. The purpose of the report is to seek consideration of the business plans proposed by the Stone Circle Companies as required under the reserved matter 26 of the shareholder agreement as well as to agree that a review of governance is undertaken to support the growth of the Companies and protect the Council's interests as shareholder.

Relevance to the Council's Business Plan

2. The proposals in the report directly support the Council's business plan to Grow the economy by facilitating the provision of affordable homes and developing new housing on public land.

Background

3. The Cabinet agreed to establish the Companies at its meeting on 23 July 2019. Each January Cabinet should consider the business plans proposed by the Stone Circle Companies as required by reserved matter 26 of the shareholder agreement.
4. The cabinet agreed a review of Governance arrangements for Council owned Companies at its meeting in September 2021. Following the review, it was agreed to establish the Shareholder group to undertake the reserved matters for the Council.

Main Considerations for the Council

5. The Cabinet received the business plan proposals from the Stone Circle Companies following their board meetings in March 2023.
6. As shareholder, the Council should consider the merits of the business plan proposals in line with the strategic plans and priorities the Companies were originally set up to achieve. In addition, any specific risk and/or financial considerations, as well as governance issues, that are specific to the Council in its role as shareholder should also be considered for the year ahead.
7. The business plans received continue to grow and build upon the original rationale for the establishment of Stone Circle Companies. As the

Companies grow and establish themselves, it is right that the governance arrangements that were put in place were reviewed in line with best practice, to ensure they continue to be effective in providing the shareholder oversight.

8. The following sections pick up the specific proposals in the business plan and any changes from the last business plan approved.

Stone Circle Housing Company

9. The Housing Company has been acquiring properties in a particularly turbulent market. This is largely due to financial uncertainty caused by the mini-Budget of September 2022. Whilst financial market conditions normalised some time ago, housing marketing activity has remained subdued.
10. As of February 2023, the Company owns 87 properties, and there are 34 under offer. Within the portfolio, there are 3 properties leased to Alabaré Christian Care & Support, who provide accommodation for young people, and there are further purchases programmed for this purpose. Within the portfolio, there are 2 properties leased to Wiltshire Council for use by Families and Children's Services.
11. Forecasted acquisitions for 2023/24 have been set at 50 properties. This will bring the total number of properties to 137 by March 2024.
12. Previous targets were set at 50 properties in 2020/21 & 2021/22, and 72 properties in 2022/23 – however these were not achieved. There are 34 properties already under offer, and it is likely that the majority of these will complete in the 2023/24 business plan year, so we are already on track to achieve the target for the first time.
13. Forecasted acquisitions for 2024/25 and 2025/26 have been set at 65 properties to reflect ongoing work to build relationships with local developers and plans to increase direct sales from homeowners via marketing and an increased awareness of the Company.
14. Based on these numbers – the Company is expected to reach 250 properties in November 2025.
15. An annual 5.0% increase in house purchase parameters has been assumed for the three remaining acquisition years to reflect future increases in the market.
16. Appendix A contains the Stone Circle Housing Company business plan. Two models have been presented to for the Company.
 - i. Option 1 includes a 5.0% annual rent increase.
 - ii. Option 2 includes a 2.0% annual rent increase (requested by the Shareholder to aid affordability).
17. An interest rate of 5.0% has been modelled across both options for 2023/24 onwards (to reflect the Public Works Loan Board prevailing interest rate), as requested by the Shareholder. For comparison - the previous interest rate was set at 3.6% in the 2019/20, 2020/21 & 2021/22 business plans, and

3.0% in the 2022/23 business plan. The shareholder request was before the recent Bank of England rate rises and the current prevailing PWLB rate available to the Council at 50 years stands at 5%.

18. Option 1 - Due to the increased interest rate, the breakeven year has been pushed back and the Company will no longer repay the loan within the 50-year timeframe (by 2069/70).
 - i. The breakeven year is 2049/50.
 - ii. The cumulative breakeven year (clearing debt accumulated up until the breakeven year) is 2062/63.
 - iii. The year that the loan is paid off is 2071/72.
19. Option 2 - Due to the increased interest rate alongside capped rental increases, the Company will not break even or repay the loan.
20. As the shareholder - there are four choices available to the Council:
 - i. to not agree the business plan proposal for 2023/24 (in terms of acquisitions) so that the Company does not grow in the coming year, and to review the position later.
 - ii. to not agree the business plan proposal for 2023/24 (in its entirety) - close the Company, take back the properties, and dispose of them on the open market (to redeem the Company's debt).
 - iii. to agree to Option 1 of the 2023/24 business plan (based on 5.0% annual rent increases) and accept that while the breakeven year will be substantially delayed and the loan will not be repaid within the 50-year timeframe (due to the increased interest rate), the business remains viable and continues to work towards meeting the original objectives of the Company.
 - iv. to agree to Option 2 of the 2023/24 business plan (based on 2.0% annual rent increases) and accept that while the Company will never breakeven or repay the loan, affordability is improved for the Company's tenants.
21. If the Council did not agree the proposed business plan in terms of future property acquisitions, the following issues will require consideration. The original purpose of the Company was to provide sub-market private rented accommodation that could be offered to households outside the Council's allocations policy, as well as to grow the value of the Company. To date, most of the properties purchased have been used for homeless prevention and to provide accommodation for young and vulnerable people. Moreover, halting the business plan at this stage would mean there are no further properties available to address homeless prevention, which in turn, impacts demand for other affordable housing in the county. This would mean that the original objectives of the Company would not be met - thus, this option is not recommended.
22. If the Council did not agree the proposed business plan, the Council as shareholder could close the Company. The Company properties are mortgaged to the Council; so, the Council could take the properties back as mortgagee in possession and employ its homeless powers to retain the existing tenants until they were successful in receiving an offer of affordable housing (to meet the Council's statutory obligations in relation to

homelessness). When vacant, the properties could be sold to redeem the Company's debt. Initial valuation of the portfolio by the Council suggests there would be sufficient value to redeem the Company's debt and costs to date. Clearly, this option would not achieve the Council's original objectives, would lead to families having to leave their homes, and would have an additional impact on the existing affordable housing stock in Wiltshire, which may result in reputational damage for the Council. Thus, this option is not recommended.

23. The Company is requesting that the Council, as funder, approve Option 1 of the business plan at an increased loan rate of 5.0% (to reflect the Public Works Loan Board prevailing interest rate) and a 5.0% annual rental increase. As shown in Appendix A, this will deliver the business plan, in terms of acquisitions and long-term growth value of the Company, whilst also reflecting the current economic landscape. It is noted that proceeding with the business plan at a higher loan rate, will increase the time taken for the Company to repay the loan. However, this is the recommended option, and the Company would suggest that the increased interest loan rate is reviewed in a future business plan.
24. The Council could approve Option 2 of the business plan at an increased loan rate of 5.0% (to reflect the Public Works Loan Board prevailing interest rate) with annual rental increases capped at 2.0%. As shown in Appendix A, this will deliver the business plan in terms of acquisitions but will prevent the Company from breaking even or being able to repay the loan. Whilst the Company recognises that capping the rental increases at 2.0% will help affordability for the Company's tenants, this does not result in a viable business, thus this option is not recommended. If the Council wish to approve this option, the Company suggests that the increased loan rate is reviewed in a future business plan.

Stone Circle Development Company

25. Stone Circle Development Company business plan is at Appendix B.
26. As of February 2023, the Company has six sites being progressed which in total could deliver a total of 177 units. Priestly Grove (Calne) – 9 units, Ashton Street (Trowbridge) – 48 units, Tisbury Sports Centre (Tisbury) – 13 units, Cherry Orchard (Marlborough) – 24 units, Stoneover Lane (Royal Wootton Bassett) – 41 units, and Horton Road (Devizes) – 42 units.
27. The business plan shows a loss for the Company due to delays which have prevented the developments achieving planning, and subsequently reaching site. This has pushed back any forecasted income from sales. It is anticipated that the Company will generate a profit once all developments are sold.
28. Priestly Grove (Calne), Ashton Street (Trowbridge), and Tisbury Sports Centre (Tisbury) have all achieved planning approval, subject to conditions. Cherry Orchard (Marlborough) was resubmitted for planning in December 2022, and a decision is expected early in the business plan year. Subject to project plan approval, Stoneover Lane (Royal Wootton Bassett) and Horton

Road (Devizes) are expected to be submitted for planning in the business plan year.

29. It was highlighted that Priestly Grove (Calne) was unprofitable when putting the scheme to tender in November 2022. The latest appraisal forecasts a loss of £222,452.45, or a -8.62% return on GDV, based on the proposed build cost and current housing market. The scheme was developed at cost to the Company as the Option Agreement had not been agreed and entered with the Council. The Shareholder confirmed the Company is to build the development. It has been proposed that the Housing Company purchase the scheme at the total cost to develop, to wipe the debt from the Development Company. This purchase has been reflected in the business plan.
30. The revised appraisal also suggests that Ashton Street (Trowbridge) does not generate a profit. The appraisal forecast a loss of £824,973.61 or a -7.15% return on GDV based on the proposed build cost and expected housing market. The Company advised the Shareholder that this scheme is commercially unviable and was informally advised on 12/03/2023 that the Shareholder did not intend to proceed with the scheme (email from Andy Brown). The development is currently shown in the business plan but can be removed following formal confirmation. The Company would be happy to reinstate the development, should the Shareholder wish. The Company has spent £154,501.96 to date on this scheme to date. The scheme was developed at cost to the Company as the Option Agreement had not been agreed and entered with the Council.
31. The remaining schemes are all expected to generate a profit.
32. It is expected that construction will begin on Priestly Grove (Calne) in 2023/24, and it is possible that Cherry Orchard (Marlborough) and Tisbury Sports Centre (Tisbury) could also make it onto site in 2023/24. Stoneover Lane (Royal Wootton Bassett) and Horton Road (Devizes) are expected to reach site in late 2024/25, subject to approval of a project plan and submission of a subsequent planning application. The Company is currently unsure as to whether Ashton Street (Trowbridge) will be built or not and seeks formal confirmation on direction from the Shareholder Group.
33. Operating costs for the Company have been reviewed and increased as necessary, though these costs remain low.
34. An allowance of up to £70,000 has been provided within the business plan for preliminary feasibility work for future sites. If a potential future site is deemed viable after initial investigations and capacity studies, a project plan will be developed and presented to the Shareholder for approval, in the agreed format, to obtain consent and budget to develop the scheme further.
35. An interest rate of 7.0% has been modelled for 2023/24 onwards, which is the commercial rate used for previous business plans also.

Stone Circle Holding Company

36. Stone Circle Holding Company business plan is at Appendix C. The business plan forecasts minimal operational costs for the Holding Company, which will be recharged to the Housing Company. The Company is not expected to generate a profit or a loss.

Ukrainian Project

37. Stone Circle Housing Company (Ukrainian Project) business plan is at Appendix D.
38. In response to the need for additional properties to house displaced refugee families, the Ukrainian Project proposes purchasing further properties alongside the 250 allowed for within the Housing Company business plan. The plan suggests 2- to 3-bedroom homes at sub-market rent, based on the same parameters used for the Housing Company business plan.
39. It is noted that the Company already houses two families who were nominated by the Refugee Resettlement & Migration Service.
40. Forecasted acquisitions have been proposed as 36 properties for 2023/24, 2024/25 and 2025/26. The project is expected to reach 108 properties by March 2026. This would take the total number of properties across the Housing Company portfolio to 358 properties by March 2026.
41. The biggest risk is a lack of suitable properties being found. To date we have struggled to secure the target number of properties per year. Whilst we are on track to meet the target for Housing Company for the first time, there may not be enough suitable properties to satisfy the targets of both the main Housing Company business plan, and the Ukrainian Project business plan. It is noted that the Council is also targeting 2- to 3-bedroom homes for its own acquisitions to house refugee families. There is a risk that we will compete for the same properties or drive-up market prices.
42. The percentages used for void costs, repairs, rental increases etc. have been taken from the main Housing Company business plan. The interest rate is also modelled at 5.0%.
43. As per the Housing Company business plan, two models have been presented.
- i. Option 1 includes a 5.0% annual rent increase.
 - ii. Option 2 includes a 2.0% annual rent increase.
44. The costs for this project, in effect, sit on top of the business plan for Housing Company so there are minimal expenses attached. Provisions have been made for operational costs which will be required in addition to those provided to the Housing Company, though these are minimal.
45. Option 1 - Based on the above, the Company will repay the loan within the 50-year timeframe (2069/70).
- i. The breakeven year for the business plan is 2046/47.
 - ii. The cumulative breakeven year (clearing debt accumulated up until the breakeven year) for the business plan is 2058/59.
 - iii. The year that the loan is paid off for the business plan is 2068/69.

46. Option 2 - Due to the increased interest rate alongside capped rental increases, the Company will never break even or repay the loan.

Registered Provider Company/Stone Circle Supported Company

47. The Council has identified a lack of suitable Registered Providers in the county, and it is proposed that a new company within the Stone Circle Group would help the Council to place people in suitable accommodation, whilst exploring an additional revenue stream for the group. The proposal is currently being developed with the Whole Life Commissioning team at the Council.
48. A new company will be setup within the group structure to seek the Registered Provider status. The new company will provide exempt accommodation in the form of Specialised Supported Housing for people with learning disabilities or mental health needs. The properties will be made available to residents who require specialist services or ongoing support so that they can live, or to adjust to living, independently within the community.
49. The application is a two-stage process, taking approximately 12 months to complete. If both applications are successful and we are invited to register, we will need to pay a one-off charge of £2,500 and then an annual fee of £300 to maintain registration thereafter.
50. There will be minor costs involved in terms of setting up a new company to submit for status and developing a business plan to submit as part of the second stage application.
51. If our application is successful and the new company is granted Registered Provider status, a full business plan for 2024/25 will be submitted to the Shareholder for approval.

Resourcing contract

52. Subject to approval of the previous business plans, the Company entered a new phase of operation. Stone Circle Housing Company now has two direct employees (with recharges to Development Company) with provisions to increase to four direct employees in 2023/24. The number of directors remains the same. The Company continues to purchase services (in the form of Company Secretary, Legal, and Estates) via the Resourcing Contract. It is likely that there may be other functions that the Companies will wish to directly provide rather than purchase via the resourcing contract. It is recommended that the resourcing contract request either party to provide at least three months' notice of any changes to the Resourcing Contract if changes are to be requested.

Overview and Scrutiny Engagement

53. This report has not been considered by financial planning task group.

Safeguarding Implications

54. There are no safeguarding implications stemming from this report.

Public Health Implications

55. There are no public health implications as a direct result of this report.

Procurement Implications

56. There are no procurement implications as a direct result of this report.

Equalities Impact of the Proposal

57. There are no equality impact implications stemming from this report.

Environmental and Climate Change Considerations

58. Stone Circle Housing Company has committed to improve the EPC rating of the properties it purchases where economic to do so. Stone Circle Development Company has proposed all-electric developments, as previously agreed. The Development Company aims to build homes for life which minimise the carbon footprint within the overall economics of development.

Risks that may arise if the proposed decision and related work is not taken

59. If the decisions are not taken, the Companies will not deliver the property acquisition and development proposed. Stone Circle Housing Company will therefore not be able to meet housing need identified, and Stone Circle Development Company will not be able to deliver the anticipated financial return to the Council.

Risks that may arise if the proposed decision is taken and actions that will be taken to manage these risks

60. The potential risks generated from the proposals are mainly financial. The Council has several mechanisms to control and/or mitigate the risks if it agrees the proposed business plans. Firstly, the shareholder agreement provides ongoing oversight of the operations of the Companies. Secondly, the Council provides the loan finance for the Companies. Lastly, in relation to Stone Circle Development Company, the Council has reserved the right to agree the project plan for each development before it proceeds within the shareholder agreement.

61. There may be financial and reputational risks to the Council if the governance of the Stone Circle Companies is not kept under review.

Financial Implications

Holding Company

62. All costs associated to Holding Company are recharged to Stone Circle Housing Company. Cost assumptions are based on experience from trading to date, factoring in an increase in staffing and general company activity.

Housing Company

63. Operating costs have been reviewed and increased as necessary. The Company has two direct employees (with recharges to Development Company) with provisions to increase to four direct employees in 2023/24. The number of directors remains the same. External HR Services and a standalone Housing Management system have been provided for as the Company continues to grow.
64. Rental income is not yet covering costs due to interest on debt to acquire properties, but profit is being generated from valuation gains on property.
65. The business plan models two different annual rent increases. Current rental income is based on LHA+10% (revised 2020 levels which remain in place). Rents will remain at sub-market levels in either option. For context, annual rent increases were capped at 3.0% in the previous plan to match the agreed interest rate.
- i. Option 1 is modelled with an annual rent increase of 5.0% from 2023/24.
 - ii. Option 2 is modelled with an annual rent increase of 2.0% from 2024/25 (requested by the Shareholder to aid affordability).
66. The business plan allows for property repairs and lifecycle costs as a % of rental income, rather than an arbitrary value. This has been set at 7.5% based on historic invoices. It is recommended that this percentage is reviewed over the next year, in line with data from the Company's housing management system. This will give assurance on the % used and improve the accuracy of future business plans.
67. The business plan allows for void costs/bad debt at 3.0% of rental income. There are a growing number of tenancies entering arrears, and it is recommended that this percentage is reviewed over the next year, in line with data from the Company's housing management system. This will give assurance on the % used and improve the accuracy of future business plans.
68. Based on the above assumptions, the forecast shows that
- i. in Option 1, the Company will breakeven (Profit before Tax, excluding FV gain/loss on property) in 2049/50, and cumulatively (clearing debt accumulated up until the breakeven year) in 2062/63.
 - ii. in Option 2, the Company will not breakeven.
 - iii. In comparison, the 2022/23 business plan forecasted the company would break even in 2028/29 and cumulatively in 2033/34. A summary is shown below:

to 2069/70 (remainder of 50 year plan)
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	2020/21 BP 3.6% (Agreed)	2021/22 BP 3.6% (Agreed)	2022/23 BP 3.0% (Agreed)	2023/24 BP 5.0% (Option 1)	2023/24 BP 5.0% (Option 2)
	£'m	£'m	£'m	£'m	£'m
Revenue	£190.364	£219.723	£219.723	£365.199	£155.853
Operating Costs	£50.085	£47.941	£47.941	£75.999	£54.018
Interest Payable	£86.223	£102.235	£71.060	£211.383	£381.988
Corporation Tax	£27.222	£13.241	£19.164	£21.843	£0.00
Profit Before Tax (excluding FV gain/loss on property) - Break even year	2033/2034	2036/37	2028/29	2049/2050	N/A
Profit Before Tax (excluding FV gain/loss on property) - Amount	£0.023	£0.023	£0.019	£0.189	£0.00
Profit Before Tax (excluding FV gain/loss on property) - Cumulative Break even year	2040/41	2047/48	2033/34	2062/63	N/A
Profit Before Tax (excluding FV gain/loss on property) - Cumulative Break even Amount	£0.271	£1.057	£0.182	£4.159	£0.00
Interest Rate Payable by Stone Circle	3.60%	3.60%	3.00%	5.00%	5.00%
Loan balance in 2069/70	£14.664	£12.020	£0.000	£18.877	£354.739

Changes in Assumptions

Property Maintenance and Lifecycle Costs	£31.132	£10.985	£10.985	£27.358	£11.657
FV gain/loss on property	£89.978	£110.266	£110.266	£103.444	£103.444

69. The business plan is based on a revolving Loan facility, so that any cash surplus over is used to repay the Loan. Interest is compounded, so it is not paid until the end of the term. This is a similar approach taken with the previous business plan.

70. Interest premium is not currently built into Wiltshire Council 2022/23MTFS.

Development Company

71. The business plan shows a loss for the Company due to delays which have prevented the developments achieving planning, and subsequently reaching site. This has pushed back any forecasted income from sales. It is anticipated that the Company will generate a profit once all the developments are sold.

72. Appraisals used in the business plan were updated by the Company in January 2023, based on current housing market prices and revised build cost estimates. The appraisals determine two schemes; Priestly Grove (Calne) and Ashton Street (Trowbridge), do not generate a profit.

73. Project timelines have been updated to reflect delays in achieving planning and starting construction.

74. The business plan is modelled on an interest rate of 7.0% which is the approved commercial rate. In the business plan, the Loans are calculated per scheme, and interest is compounded and is not paid until all the schemes complete.
75. The Loan principal is repaid as each scheme completes. This is the same approach taken in previous business plans and mitigates risk as each Loan is secured to a development.
76. Operating costs for the Company have been reviewed and increased as necessary (including a recharge for staffing from the Housing Company), though these costs remain low.
77. The sites included in the business plan are Wiltshire Council sites that would be sold to the Company. The capital receipt earned for these sites would be circa £2.2m (including Ashton Street, Trowbridge). This is assumed to take place at the point of sale.
78. An allowance of up to £70,000 has been provided for preliminary feasibility work relating to potential future sites. If a potential future site is deemed viable after initial investigations and capacity studies, a project plan will be developed and presented to the Shareholder for approval, in the agreed format, to obtain consent and budget to develop the scheme further.
79. Loan premium and Dividend are not currently built into Wiltshire Councils MTFS.

Legal Implications

80. The Stone Circle Housing Company and Development Company business plans must be approved by the Shareholder Group on behalf of the Council as ultimate shareholder in accordance with the Shareholder's Agreements. For the avoidance of any doubt, the holding Company business plan must also be approved by the Shareholder Group on behalf of Council as the ultimate shareholder in accordance with the shareholders agreements, however the holding Company business plan is set out within the housing Company and development Company business plans.
81. The financing arrangements have been structured in accordance with state aid law. The Council will need to continue to monitor interest rates to ensure state aid law requirements continue to be met. These arrangements were put in place prior to exiting the EU – so subsidy control (previously called state aid) will apply.
82. The Council needs to continue to ensure that as the Companies develop the governance arrangements for the Companies are robust, transparent, and fit for purpose.

Workforce Implications

83. There are no direct workforce implications stemming from this report.

Options Considered

84. The options available to the shareholder in relation to the Stone Circle Housing Company are as set out above and it is recommended that the Council agrees a business plan based on a revised interest rate on loan finance.
85. The Council could decide not to approve the Stone Circle Development Company business plan but that would lead to the Council incurring cost to address the work that has been undertaken on the sites already agreed to be developed.

Conclusions

86. This report proposes business plans for the Stone Circle Companies as required under reserved matter 26 of the shareholder agreement. The revised plans will allow the Companies to respond to the changed economic circumstances in Wiltshire in the residential property market.

Report Author:

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Date of report 22 June 2023

Appendices

Appendix A to H – Exempt information – Summary business plans for Stone Circle Housing Company, Stone Circle Development Company, and Stone Circle Holding Company.

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