

Report subject	Housing Subsidiary Companies Business Update
Meeting date	27 July 2022
Status	Public Report
Executive summary	<p>This report provides a review of the following four companies - Seascope Group Limited, Seascope South Limited (SSL), Seascope Homes and Property Limited (SHP) and Bournemouth Building Maintenance Limited (BBML).</p> <p>The report sets out the growth plans and ambition for each company, an operational update from the last year and the 2022/23 annual plan for each.</p> <p>The Seascope Group, including its two subsidiaries SSL and SHP, has scope for further growth in activity and sizeable income generation opportunities. This income can be returned to the Council as the sole shareholder to support the funding for services to vulnerable people.</p>
Recommendations	<p>It is RECOMMENDED that:</p> <p>(a) Supports the plans for the two Seascope Group subsidiaries and BBML</p> <p>(b) Approves the Terms of Reference for BBML and SGL and notes the TORs for the two subsidiaries.</p>
Reason for recommendations	The Seascope Group subsidiaries – SSL and SHP and BBML - provide valuable services and will collectively generate additional financial benefits for BCP Council as the sole shareholder to help continue delivering Council services to vulnerable people.
Portfolio Holder(s):	Councillor Karen Rampton, Portfolio Holder for People and Homes Councillor Philip Broadhead, Deputy Leader of the Council and Portfolio Holder for Development, Growth and Regeneration
Corporate Director	Jess Gibbons – Chief Operating Officer
Report Authors	Lorraine Mealings – Director of Housing
Wards	Council-wide
Classification	For Decision

BACKGROUND

1. The Council has a number of wholly owned companies in place, led by the Housing Service Unit, that deliver valuable services and provide benefits to the Council as the sole shareholder. This report provides a review of the following 4 companies - Seascope Group Limited, Seascope South Limited (SSL), Seascope Homes and Property Limited (SHP) and Bournemouth Building Maintenance Limited (BBML).
2. The following sets out the growth plans for each company, an operational update over the last year and the 2022/23 annual plan for each company.
3. The company activity set out in this annual update helps to deliver 'Our Big Plan' to be bold, confident and proud, creating vibrant communities. The company activity helps deliver the BCP Council Corporate Plan, particularly in terms of 'Fulfilled Lives', by tackling homelessness and supporting people to live independent lives.

SEASCOPE GROUP LIMITED (SGL)

4. Seascope Group Limited is a 100 per cent owned Council Company, with BCP Council as the sole shareholder. It has two subsidiaries – SSL and SHP.
5. It is a requirement of the Shareholders Agreement between the Council and Seascope Group Limited that the company produces a medium term five-year strategic plan which was approved by Cabinet in May 2020 – 'Seascope Group Limited 5 Year Strategic Plan (2020-25)'.
6. The five-year strategic plan is based on a step-change in growth, innovation and ambition, operating across the wider BCP geography, maintaining customer focus, investing in supporting staff and ensuring sizeable income generation to help financially support the delivery of valuable services for BCP Council as the sole shareholder.
7. The Seascope Group Ltd 5 year plan 2020 to 2025 sets out a vision seeking to achieve continuing growth by:
 - Providing services across the expanded geographical area of the Council, stretching beyond Bournemouth to cover Christchurch and Poole, automatically creating a larger customer base;
 - Expanding our activity by utilising our existing skills and resources, and investing in additional specialist capacity to pursue sustained growth;
 - Pursuing new business opportunities to achieve growth and maximise our potential, including directly building new homes for private rent and sale;
 - Gaining external accreditations from trade bodies for the provision of new services
8. An Away Day was held on 30th March 2022 for the Group, Subsidiary Directors and Senior Officers. Annual business plans have been agreed for each subsidiary identifying the relevant areas of the 5 year strategy and setting out the headlines of how the companies will move forward over the coming year. These annual plans are contained in the appendices and the key issues are covered in the subsidiary updates below.

SEASCAPE SOUTH LIMITED (SSL)

9. SSL was set up as a commercial company to deliver works to clients outside of the Council. Over the years, the focus is to become the company of choice for external clients in relation to Disabled Facilities Grant (DFG) works in the BCP area, deliver construction and refurbishment projects in the conurbation and for a small, but growing number of clients, deliver day to day maintenance.

The Company objectives as stated in the Terms of Reference are to:

- Achieve increased turnover and market share of the DFG programme of works to external clients across BCP
 - Grow the provision of construction services to additional private sector customers.
 - Secure additional investment in capacity and specialist skills for development of opportunities, driving marketing and promotion, manage contract growth and drive forwards operational efficiencies.
10. SSL has secured additional resource by way of a Commercial Lead role to bring in additional capacity and expertise in order to determine the way forwards in terms of potential growth. This role commenced in April 2022 and is currently considering the scope and approach for potential growth. Growth is thought to fall into 3 potential areas of activity:
 - Disabled adaptations.
 - Construction
 - Maintenance
 11. Disabled Adaptations - With the forming of the new combined BCP Disabled Facilities Grants staff team in 2022, the plan is to build on the successful delivery of the grants work in the Bournemouth area of BCP Council by extending to the Poole and Christchurch area and become the contractor of choice for all works of this nature to private clients to whom we provide a grant. The delivery of these disabled adaptations works is managed primarily through the Council's internal trades team employed by BBML.
 12. Construction - SSL has forged links with Academies in the BCP area and plan to continue to work with these and identify other clients to undertake construction works. The delivery of these construction services is managed through the Council's inhouse Construction Works Team (CWT). It is worth noting that prior to BCP Council, SSL involved Bournemouth Borough Council as the sole shareholder and therefore traded with Poole and Christchurch Councils as external clients. This work is now effectively internal works and no longer requires a company vehicle to deliver.
 13. The services delivered within SSL are of great value to customers and the Council. The delivery of disabled adaptations work is critical to help keep people live independently and safely in their own homes. The construction activity is valuable to help ensure a good quality built environment across BCP.

SEASCAPE HOMES AND PROPERTY LIMITED (SHP)

14. Seascape Homes and Property Limited was originally established to provide additional housing options for homeless households through a lettings solution. The Company objectives, as stated in the Terms of Reference now are to:
 - Expand portfolio of properties to homeless households to enable the shareholder to discharge homeless duties
 - Grow the Private Rent Sector (PRS) activity by renting properties out at full market rent levels and renting to other specialist client groups.
 - To act as a delivery vehicle for directly building homes on Council owned land, primarily for private rent and private sale.
15. There are 3 distinct areas of activity that SHP plans to grow over the next 3 years
 - Managing Private rented sector (PRS) accommodation
 - Managing Homelessness move-on accommodation
 - Building homes for private rent and sale
16. Private Rented Sector
 - The plan is to materially grow the current PRS units being managed within SHP even further over the next 3 years.
 - Targets around growth within this priority are embedded within the BCP Council's 'Council New Housing & Acquisition Strategy' (CNHAS) where the council will acquire 250 street properties for rent over 5 years and build private rented sector homes. Many of these will be leased to SHP where they will be managed on assured shorthold tenancies.
 - New build council owned schemes include the Princess Road development involving 119 homes and a 20 bed hostel where some of the homes will be privately rented through SHP.
 - The Carters Quay Poole new build scheme involving 161 homes for private rent gained approval in 2021 and the completed units will be rented through SHP.
 - Geographical spread of properties will extend to all of the BCP area.
 - The Seascape tenancy management team has been restructured within the service to accommodate the growth. They remain focused on delivering good quality landlord services to tenants and playing its part in helping to drive up standards across the private rented sector.
17. Homelessness move-on accommodation
 - CNHAS also sets out targets to continue growing the homelessness move-on portfolio of properties by scaling up our street acquisitions, not only increasing the number of existing family homes, but also providing a much-needed range of move-on accommodation options for care leavers and street homeless clients.
 - The SHP homes are a key part of our local provision to help prevent and tackle homelessness alongside our many other housing options.

18. Building Homes for market rent/sale and other commercial opportunities
 - Existing Council owned land is being developed for market housing (PRS and/or market sale) alongside affordable housing. It has been approved through CNHAS that SHP could act as the delivery vehicle for the Council to directly build market housing as a more favourable financial model.
 - CNHAS also involves the ability to acquire additional land, which could be developed for mixed tenure through SHP.
 - Opportunities may also arise for using SHP where appropriate for commercial acquisition with a view to managing assets through SHP. This will be considered as opportunities arise.
19. A land and acquisition manager role has been recruited to assist in further shaping the programme to scale up the property portfolio.
20. Infrastructure requirements are being considered including the need to upgrade IT systems to effectively manage rent accounts etc.
21. The income generation activity from the property portfolio managed through SHP contributes significant surpluses to the Council's Medium Term Financial Plan, to help fund wider activities.
22. The contribution of the portfolio managed through SHP is also significant in terms of cost avoidance. It is estimated that the Council has benefited from over £7M in cost avoidance for bed and breakfast accommodation to date by placing homeless households within these tenancies instead. There are additional savings made in terms of debts related to rent deposits which have been avoided.
23. In addition, the Council importantly benefits financially from the increased asset value relating to the purchased stock over time. With the first phase of housing acquisitions totalling £45M investment over the last few years, if we reasonably assume an increase in local property prices of 10% since purchase, this would deliver a £4.5M increase in asset value for the Council. The Council Newbuild Housing and Acquisitions Strategy (CNHAS) has approved a new c£48M programme of investment in acquisitions which adds to this potential for asset value appreciation.
24. The services delivered within SHP bring significant benefits to BCP residents. The company delivers good quality and affordable housing for some of our most vulnerable residents otherwise facing homelessness. The company delivers good quality housing management and maintenance services to its tenants.

BOURNEMOUTH BUILDING MAINTENANCE LIMITED (BBML)

25. Cabinet approved the set-up of BBML in March 2014 as a trading company. BBML was primarily created as a response to the need to transfer maintenance staff working on Council housing from an external contractor, involving approximately 80 staff at the time. The company model provided employment at a reasonable cost and with minimal disruption.
26. BBML is a Teckal company, wholly owned by the Council as the sole shareholder and reports directly to Cabinet with a Board of Directors alongside the Seascope Group.
27. BBML employees are now spread over a significant number of business areas including: Finance Team, Repairs Centre Team, Asset Management Team, In House Team, Construction Works Team, Health & Safety and Parks – Catering and Land Train.
28. In autumn 2021, due diligence was undertaken around the future role of BBML as an employment model for delivery. This work presented some options for staff operating models that is now being revisited as part of the service redesign work undertaken with KPMG, looking at the most efficient operating model across housing services.
29. An interim business plan is in place to streamline BBML operations in the meantime.

GROUP GOVERNANCE

30. An internal audit was undertaken of the four companies in 2020 and a number of governance issues were identified that required improvement. Significant work has been undertaken in response to the audit insight to close the majority of these recommendations with only two being taken into Company Risk Registers as accepted risks, both relating to the awaited plans for the future of BBML.
31. Completed actions included delivering specialist training for Directors, developing strategic plans for each of the companies, ensuring far greater visibility of the companies through reporting to Cabinet/Council and appointing a permanent Company Secretary.
32. The Company Secretary has developed Governance Frameworks for all four entities and these will include work flows for the coming year.
33. A full review of Board composition is planned for later in the year, whereupon a Board skills matrix will be established to ensure the mix of skills on each of the Boards is appropriate.
34. The Company Secretary will also continue to work closely with Risk and Audit teams to ensure compliance of all companies and also identify further topics for review in the coming year.

TERMS OF REFERENCE (TORs)

35. TORs have been drafted for all entities. Approval of the TORs is a shareholder reserved matter and so TORs for SGL and BBML are included as appendix B for Cabinet approval.
36. TORs for SSL and SHP are attached as appendix C, these have been approved by SGL as the Shareholder, so are included only for noting.

Summary of financial implications

37. The growth of the Seascope Group companies will provide much needed income generation back to the Council as sole shareholder as well as significant cost avoidance on homelessness services.

Summary of legal implications

38. The governance audit has been actioned with concerns now having been resolved to ensure the most effective operation of the wholly owned companies.

Summary of human resources implications

39. None identified

Summary of sustainability impact

40. None identified

Summary of public health implications

41. None identified.

Summary of equality implications

42. None identified.

Summary of risk assessment

43. None identified

Background papers

44. None.

Appendices

1. Appendix A – Financial Results for SSL, SHP and BBML for noting
2. Appendix B – TORs for BBML and SGL for approval
3. Appendix C – TORs for SSL and SHP for noting

Appendix A

Financial Results for SSL, SHP and BBML for noting

Seascope South Limited – Financial Results

4. 4 years ago SSL was generating turnover of £500k and net profit of around £25k. This has grown significantly over the last 5 years – largely due to increased activity on Tricuro and Other Works undertaken by CWT.
5. Turnover for the year ended 31 March 2022 has grown to £954k – only £9k lower than budget for the year of £963k. Of this £567k was in relation to disabled homes adaptations completed for private residents. A further £339k of income was generated from external commercial works (CWT), and £48k income from Tricuro.
6. Forecast net profit of £112k has been achieved. This is a significant improvement to budget profit of £44k (£68k more profit than originally budgeted) because it includes profit recognised on large CWT projects completed in the year and the release of defects provision built up in previous years has been released in part.
7. Corporation tax of £24k is estimated for the year ended 31 March 2022.
8. With turnover of £568k, around half of the company's activities are on disabled adaptations. This position is unchanged in projections for Budget 2022/23 but is dependent on the availability of BBML staff to undertake the works. Disabled adaptations continue to generate gross profit margins of around 23%.
9. £340k of other works completed by CWT during the year include Pramalife, Portsmouth Diocese, Moordown Community Association and Ambitions Academy Trust. These projects have contributed £79k gross profit toward the company's professional support services and are stated after appropriate allowance is made for defects provision.
10. Professional support services and administrative costs of £115k include accountancy, payroll, ICT services and company secretarial services for the year ending 31 March 2022. These costs are not apportioned across the company's core activities and are shown in total.
11. Interest payable of £2k is in line with forecast and represents interest on the £35k short term loan payable to BCP Council. The loan was repaid in March 2022.
12. At 31 March 2021, the company's retained reserves stood at £85.7k. This is estimated to increase by £88k (after corporation tax) to £174k by 31 March 2022.
13. The company retains a healthy cash balance of £175k at 31 March 2022. Debtors of £205k were owed to the company at 31 March 2022 (reclassification of £70k to WIP). Of this debtor sum, £132k relates to disabled adaptations debtors. These sums are expected to be fully recovered and no allowance for bad or doubtful debts is proposed. Creditors balance includes £12.5k defects provision for CWT works recently completed.
14. All financial information is still draft and is subject to annual external audit.

Seascope Homes and Property Limited – Financial Results

15. Before looking at the finance related to SHP, the most significant financial benefit of the company is realised within the Council's budget in terms of income generation and cost avoidance.
16. Income generated from the management of this portfolio within SHP contributes significantly to the Medium-Term Financial Plan (MTFP) with a projected additional income of £469k for 2022/23 increasing in subsequent years as the portfolio grows.
17. The use of the portfolio to accommodate people who would otherwise be in emergency enables significant cost avoidance. This includes avoiding the cost of emergency accommodation but also avoiding the costs of providing rent deposit loans that are not required for placements into SHP managed properties. The cost avoidance is significant and suggested to equate to over £7M in cost avoidance for bed and breakfast accommodation to date. In addition to this, there are savings made in terms of debts related to rent deposits and the council also benefits financially from the increased asset value relating to the purchased stock over time.
18. Figures for the year ending 31 March 2022 record a full year surplus of £26k. This is in line with projection at February 2022 and is £3k higher than budgeted surplus of £23k.
19. Turnover (rental income) of £1,383k was generated in the year – this is broadly in line with forecast and £57k lower than full year budget of £1,440k. Around £583k (42%) is from the rental of 63 units of self-contained accommodation for homelessness prevention (average monthly rent £797 per property). £607k of this is from rental of Treetops flats, (average monthly rent of £1,076 per property), £133k from other properties (farms and parks) and £60k from rental of 1 bed flats under the Rough Sleepers Accommodation Programme (RSAP) (average monthly rent of £455 per property).
20. Most (around 92%) of the rental income received by Seascope Homes is paid to the council via quarterly lease payments. Lease payments to the council vary each quarter as they are based on actual rent collected in the period. It follows that is the council, not Seascope Homes, that bears any financial risk in relation to rent arrears.
21. Since the last financial report to Board in February 2022, 5 new units have been acquired, with a further 8 currently in the pipeline. Rent associated with these new units will start to be realised in 2022/23.
22. Gross operating profit (after lease payment, management fee & premises costs) of £105k was achieved in the year (8% of turnover). This more than covers forecast fixed administrative expenses (including accountancy, payroll, company secretarial, insurance and ICT services).
23. Net operating profit (after administrative costs) is £26k. This is 2% of turnover and is slightly improved to budget.
24. Because of losses accumulated from previous years, negative reserves at the start of the year were (£35k). This position will improve by the net £26k net profit generated this financial year. Whilst still negative, reserves at 31 March 2022 are expected to be (£10k).
25. The company also benefits from a healthy cash balance and retains the use of a short-term borrowing facility with BCP Council that it has not yet had to access. Creditors at year end consisted primarily of QTR4 lease payment owed to the council. Debtors at year end includes £130k of rent in arrears. Whilst full bad debt provision has been allowed for these, the council will continue to seek recovery of these amounts.

BBML – Financial Results

26. A summary of annual financial performance over the last 5 years is provided below – this demonstrates growth in BBML activity (barring 2020/21 which was impacted by Covid). It also demonstrates the financial impact of the company's 'cost plus 3.8%' charging policy on the bottom line. The risks of increasing labour and materials costs in the current market are borne to a large extent by BBML customers as opposed to BBML itself.

	actuals 2017/18 £000	actuals 2018/19 £000	actuals 2019/20 £000	actuals 2020/21 £000	actuals 2021/22 £000	budget 2022/23 £000
Income	6,204	7,879	7,871	7,186	8,903	8,469
Cost of sales	(5,660)	(7,209)	(7,220)	(6,716)	(8,261)	(7,814)
Gross profit	544	670	651	470	642	655
Admin expenses	(357)	(393)	(389)	(410)	(324)	(344)
Interest payable	(5)	(5)	(3)	(1)	(1)	0
Net surplus	182	272	259	59	317	311
Dividend paid	(100)	(100)	(100)	(100)	(100)	(100)
Profit transferred to reserves	82	172	159	(41)	217	211
Retained reserves	272	444	603	562	779	990

27. Turnover of £8,903k for the year ended 31 March 2022 exceeds budgeted turnover (of £7,358k) by £1,545k. Most of this increase was anticipated in the 10 month forecast position presented to Board in February 2022. Turnover includes BBML labour provided to BCP council to deliver frontline services and the cost of works delivered for the housing revenue account (including disabled adaptations, kitchen and bathroom replacements and void repairs). Increased turnover to budget also reflects BBML's ability to pass on market related raw materials and sub-contractor price increases post Brexit and Covid to BCP council (through its cost plus 3.8% charging mechanism).
28. Forecast net operating profit of £317k, after direct cost of works and administrative costs is 3.7% of turnover. This compares with a projection in February 2022 of £296k surplus for the year.
29. Net operating profit of £317k will reduce to £217k after proposed dividend of £100k payable to the council. No corporation tax is payable as BBML operates as a Teckal company.
30. BBML reserves at 31 March 2021 were £562k. This is estimated to increase by £217k to £780k by 31 March 2022. The council's MTFP includes potential for a one-off dividend of £200k to be paid from BBML to the council in 2022/23, subject to approval by the council and BBML Board.
31. The company benefits from a healthy cash balance in excess of £1 million and has repaid its £200k 'loan' from BCP council during the year. £1k interest was paid on this loan during the course of the year.
32. All financial information is still draft and is subject to external audit.

Appendix B

TORs for BBML and SGL for approval

Bournemouth Building and Maintenance Limited (“BBML”) Terms of Reference

Purpose

To manage the building services workforce commercially in line with the private sector, in order to provide staffing flexibility and efficiencies.

Objectives

- To enable the transfer of maintenance staff from an external contractor
- To operate within the Teckal requirements
- To implement an external staff employment operating model alongside the council’s direct employment model

Timing

Quarterly, for 1 hour.

Agenda and Papers to be circulated by the Company Secretary prior to the meeting.

Quorum

A quorum of 3 directors shall be required to transact business at a meeting.

Membership

Cllr Karen Rampton, Chair

Cllr Nigel Brooks, Director

Shirley Haider, Director

Lorraine Mealings, Director

Andy McDonald, Director

Or their nominated representatives

Other officers may attend at the invitation of the Chair.

Secretariat: Provided by the Company Secretary.

Seascope Group Limited (“SGL”) Terms of Reference

Purpose

To hold shares in the Seascope Group Subsidiary Companies

Objectives

- to oversee the carrying on of the businesses of the Group Companies
- to retain control over the strategic direction and key decisions of the Group Companies
- to undertake such other business(es) as BCP Council may from time to time determine

Timing

Quarterly, for 1 hour.

Agenda and Papers to be circulated by the Company Secretary prior to the meeting.

Quorum

A quorum of 3 directors shall be required to transact business at a meeting.

Membership

Directors

Councillor John Beesley	Chair
Councillor Philip Broadhead	Director and Chair of SHP
Councillor Drew Mellor	Director
Paul Whittles	Finance Director

Attendees

Councillor Robert Lawton	Chair SSL
Shirley Haider	Finance Director SSL and SHP
Lorraine Mealings	Director of Housing
Stephen White	Company Accountant
Beccy Brookwell	Head of Service for SSL
Rebecca Lawry	Company Secretary
Ben Tomlin	Head of Service for SHP
Nigel Ingram	Head of Service for SHP

Other officers may attend at the invitation of the Chair.

Secretariat: Provided by the Company Secretary.

Appendix C

TORs for SSL and SHP for noting

Seascope South Limited (“SSL”) Terms of Reference

Purpose

To be the contractor of choice for external clients in relation to Disabled Facilities Grant (DFG) works and private construction

Objectives

- Achieve increased turnover and market share of the DFG programme of works to external clients across BCP
- Grow the provision of construction services to additional private sector customers.
- Secure additional investment in capacity and specialist skills for development of opportunities, driving marketing and promotion, manage contract growth and drive forwards operational efficiencies.

Timing

Quarterly, for 1 hour.

Agenda and Papers to be circulated by the Company Secretary prior to the meeting.

Quorum

A quorum of 3 directors shall be required to transact business at a meeting.

Membership

Cllr Robert Lawton, Chair

Cllr Nigel Brooks, Director

Shirley Haider, Director

Lorraine Mealings, Director

Andy McDonald, Director

Or their nominated representatives

Other officers may attend at the invitation of the Chair.

Secretariat: Provided by the Company Secretary.

Seascope Homes & Property Limited (“SH&P”) Terms of Reference

Purpose

To provide housing options through a lettings and new build solution.

Objectives

- Expand portfolio of properties to homeless households to enable the shareholder to discharge homeless duties
- Grow the Private Rent Sector (PRS) activity by renting properties out at full market rent levels and renting to other specialist client groups.
- To act as a delivery vehicle for directly building homes on Council owned land, primarily for private rent and private sale.

Timing

Quarterly, for 1 hour.

Agenda and Papers to be circulated by the Company Secretary prior to the meeting.

Quorum

A quorum of 3 directors shall be required to transact business at a meeting.

Membership

Cllr Philip Broadhead, Chair

Cllr Hazel Allen, Director

Shirley Haider, Director

Lorraine Mealings, Director

Or their nominated representatives

Other officers may attend at the invitation of the Chair.

Secretariat: Provided by the Company Secretary.