



Serving You

Cabinet Sub-committee (Medway Development Company Ltd Shareholder Board)

30 May 2024

Business Plan 2024-2030

Report from / author: Sunny Ee, Assistant Director, Regeneration

Summary

This covering report introduces MDC's 2024 – 2030 Business Plan (Exempt Appendix 1).

1. Recommendations

1.1. The sub-committee is asked to note the contents of the report and agree the Medway Development Company Business Plan attached at the Exempt Appendix.

2. Suggested reasons for decision

2.1 In order for the company to fulfil its purpose, a Business Plan proposal is required to set out how the company will achieve its medium-term objectives.

2.2 The Business Plan sets out the Company's medium-term vision and has mitigated risks in response to the current difficult operating environment by acting in an agile way and adapting its sales offer to reflect changing market conditions.

2.3 MDC is contributing to Medway's housing delivery targets, including Affordable Housing options that can benefit the community. A key part of MDC's future mitigation strategy is for the company to obtain Homes England "Investment Partner" status, which will allow the company to apply for affordable housing grants and offer Shared Ownership which is outlined in the Business Plan.

3. Budget and policy framework

3.1. Medway Council is the sole shareholder of Medway Development Company Ltd. and its subsidiaries, with the exercise of the shareholder's powers and responsibilities being an executive function of the Cabinet. Cabinet has delegated these powers and responsibilities to this Cabinet Sub-committee.

4. Background

4.1. MDC's previous Business Plan was approved at a Cabinet meeting held on 10 January 2023. The updated Business Plan covers the period 2024 to 2030 and sets out how MDC will deliver its objectives during this period.

5. Client Officer observations and recommendations

- 5.1. The Business Plan is comprehensive and reflects market challenges that have been encountered and how these risks have been mitigated to date. Members should note the progress made by MDC over a short period of time.
- 5.2. The programme outlined is expected to deliver 760 homes. This is a substantial contribution to Medway's housing delivery targets.
- 5.3. The company has exceeded its affordable housing expectations, by offering the new "First Homes" product under the pilot scheme operated by Homes England.
- 5.4. The company is unlocking difficult sites in order to activate and support wider regeneration initiatives being implemented by the Council.
- 5.5. The company has levered in significant grants since its creation by submitting bids either directly or in partnership with the Council to a variety of relevant schemes.
- 5.6. Challenges have been mitigated by diversifying its disposal options and offering the previously outlined "First Homes" product and through marketing private rented accommodation.
- 5.7. One of the key objectives of the Company and its plan is to unlock difficult sites to create social and economic benefits to the area. MDC are proactively bringing forward schemes that are less likely to be delivered by the private sector due to the low projected margins, and the various challenges to be faced in the current financial climate.

6. Risk Management

- 6.1. The company maintains a risk register which has been separately reviewed by the Council's Chief Operating Officer and appears elsewhere on this agenda.

7. Consultation

- 7.1. The Business Plan has been reviewed by the MDC Board which has approved the plan submitted to the Cabinet Sub-committee. The Portfolio Holder has had sight of the Business Plan.

8. Financial implications

- 8.1. The borrowing incurred to date remains within the £120 million limit agreed by Cabinet and Council, required to fund the company's programme. The loan facility agreement expires on the 31 December 2026. If the business plan is agreed, this will need to be extended to accommodate the plan up to 2030.
- 8.2. The Business Plan sets out its Profit and Loss expectations which identifies a deficit position in 2024/25, but a return to a positive position from 2025/26 onwards. Overall, the programme is expected to deliver annual benefit of circa £18.2m by 2030, comprising the following:
 - £11.8m gross margin for the company on private rented properties,
 - £2.4m margin for the Council on loans to the company,
 - £4.0m of capital receipts for the Council.

8.3. Revenue beyond that point will increase annually and profits from renting homes in the private sector will generate substantial future revenue.

9. Legal implications

9.1. Under the new Shareholder Sub-committee governance arrangements, the Council has made changes to the Articles of Association and implemented a Memorandum of Understanding which has been approved by the MDC Board.

9.2. The Business Plan proposes the creation of a new subsidiary “Medway Development Company (New Homes) Ltd. This will be a new limited company that will apply for “Investment Partner” status and will hold and operate affordable housing assets which is a change to legal structure of the company.

10. Conclusions

10.1. Officers have reviewed the business plan and recommend it to the Cabinet Sub-committee for approval.

Lead officer contact

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Appendices

Exempt Appendix – Medway Development Company Ltd. Business Plan

Background papers

None