

## **POLICY SCRUTINY GROUP – 13TH NOVEMBER 2018**

### **Report of the Strategic Director of Housing, Planning & Regeneration, and Regulatory Services Lead Member: Councillor Vardy**

#### **ITEM 8      HOUSING DEVELOPMENT COMPANY**

##### Purpose of Report

To provide the Group with information regarding the potential for establishing a Leicestershire Collaborative Housing Company or developing a Local Housing Company for Charnwood and enable it to programme further scrutiny if that is required.

##### Action Requested

To consider the information regarding the potential for establishing a Leicestershire Collaborative Housing Company or developing a Local Housing Company for Charnwood and whether to programme further scrutiny of the matter.

##### Reason

To scrutinise the issue in a timely manner in accordance with the Group's work programme.

##### A Leicestershire Collaborative Housing Company

In March 2018, the District Chief Executives considered the potential for collaborating on housing development across the County, and asked for the options of developing a joint housing company be considered.

Of the 7 districts, Melton BC, Oadby and Wigston BC, North West Leicestershire DC and Charnwood BC remain interested in a joint company for development purposes. Melton BC is leading the project through a team of consultants.

Hinckley and Bosworth BC, Harborough DC and Blaby DC have withdrawn from the project, as they feel that the local arrangements they have in place at present will enable them to deliver on their housing objectives.

An options appraisal is being undertaken into the various forms of company that might be suitable, but an initial assessment of the objectives indicated that a joint company with landlord powers and holding stock is not favoured by most of the districts, and that the likely remit of a joint company would be to provide a shared resource and expertise for the procurement, development and delivery of sites across the County.

Individual local authorities would be able to draw down these skills as and when needed. In order for a joint development company to succeed, there would need to

be a guaranteed pipeline of development sites, and initial costs of the company would need to be shared across the participating authorities.

There are a range of options being considered as follows:

1. Do nothing – continue as at present with each local authority acting independently in the market to address housing needs
2. Enter into a joint venture with a developer
3. Establish a joint development company to act cross the county
4. Establish a collaborative housing company to develop and manage stock.

The options appraisal report is currently in the process of being completed, with a view to any proposal going through individual governance processes in each Local Authority, demonstrating the business case.

### Developing a Local Housing Company

In addition to a joint Development Company working across the County each local authority could, if it chooses, have its own local housing company. If the Council wishes to develop properties for rent or sale outside of the Housing Revenue Account (HRA), then it will need to do this through a local company. Landlord Services could be commissioned by that company to undertake management tasks such as rent management and repairs and maintenance.

The creation of local authority housing companies has become a national initiative with over 60 now established although many of them are not operational, or only partially operational or have had limited success. Blaby, Oadby and Wigston, and Hinckley, for example, already have housing companies but they have not yet been active. North West Leicestershire and Melton are looking to set up individual companies to operate outside the HRA.

The Council will need to be clear as to why it requires a company, what it will do, and how the relationship between the Council and the company will work.

### *Why Have a Local Company?*

- 1) In broad terms the company may be an asset holding, provider of multi-tenure homes and a landlord providing residential services.
- 2) Councils, unlike traditional registered providers (RPs), cannot rent homes other than as defined by the Housing Acts, i.e. at target rent, on a secure tenancy and subject to the various controls that governments have introduced or will introduce. For example, it cannot rent homes on assured short hold tenancies or for market rent and renting homes at Affordable Rent requires specific agreement. A housing company therefore gives the Council freedoms and flexibilities to meet specific housing needs and requirements which would not otherwise exist.
- 3) The Council needs to decide if it wants to create a new landlord vehicle that will be 'council owned', but not provide 'council housing' and consider how it wishes

to brand the new housing company and how the offer and management will be different from the mainstream HRA services.

- 4) The company will have a competitive edge by benefiting from having access to a pipeline of development outcomes driven by the Council land and asset owning base, and having the capacity to purchase land and assets in the open market. The balance between affordable and private housing will need to be considered as part of the overall viability and financing principles.
- 5) The relationship with the Council will be structured where the Council is in control by being the sole shareholder and lender.
- 6) As a shareholder, the Council will benefit from the capital growth in the portfolio and make a return from any surpluses. As a lender the Council will take the risk in development but benefit from making a return on loans and associated fees.

#### *Suggested Objectives for a Council Owned Housing Company*

- It will provide homes of various tenure types for the long term.
- Affordable homes for rent will be accessible to working households.
- As landlord, it will aim for high levels of customer satisfaction.
- It will hold a varied and well maintained stock.
- It will make a return to the Council in line with the annual business plan.

#### Setting up a Housing Company

There are a number of ways that the company can be set up, and an options appraisal will determine the most suitable option for the Council. Whether this is a company with a social purpose or purely commercial will be dependent on what the Council aims to achieve through the vehicle.

If the County-wide development company proposal is viable and supported, the local housing company will be a stock holding vehicle and a landlord. It will enter into agreements with the Council for the letting of affordable homes, any grant that may be provided to support the provision of affordable housing, and loan and working capital facilities. If the County-wide proposal is not supported, the Council will need to consider what alternative arrangements there might be for developing and purchasing housing beyond what is done already.

Issues that need to be considered in setting up the company include:

- Funding
- Governance
- Development/Delivery Objectives
- Branding.

In order to assist in the setting up of the company, the Council will need to engage some external specialist advice, for example in relation to the development of the business plan, and legal and financial expertise.

The consultants currently engaged by Melton BC in relation to the county-wide project, have put forward a proposal to provide support services to the three local authorities who might wish to set up a local company, so that we can benefit from economies of scale, and build on some of the information already provided for the County-wide project.

### Financial Implications

If a joint exercise is undertaken, a number of activities will overlap across each council, but 3 specific days would be set aside for each council to ensure that individual issues are not overlooked.

On the basis that there would be 3 participating districts, no more than 20 days in total are estimated for the production of a business plan, which will then be tailored for each participating individual authority, and accompanying report for each authority's use, including specific meetings with legal, finance and others. The fee does not include evaluation and specific proposals for development sites and it is recommended that internal resources are used to lead on this. Management of this process is included. Each report/business plan will set out timescales and what is required for the housing company to be established and operational.

Once each authority has agreed the business plan and decided to formally establish a housing company, a further quote can be provided for the work required for set up of the company up to operational commencement.

The day rate will be £600 plus reasonable travel expenses incurred. Therefore Charnwood's estimated share of the initial costs would be £4,000. This would need to be confirmed.

The business plan will seek to evidence how the company will be created, will be an accountable landlord which manages its portfolio efficiently, and is able to act in the market as a leading housing provider. To run its operations cost efficiently, the company must grow a proportionate portfolio. If agreed, the company would purchase development units from the County-wide development company which will act as the lead developer. The housing company however, will set the design and specification standards to be achieved.

Background Papers:                      None

Officer to contact:                      Eileen Mallon  
Strategic Director of Housing, Planning & Regeneration, and  
Regulatory Services  
(01509) 634662  
[eileen.mallon@charnwood.gov.uk](mailto:eileen.mallon@charnwood.gov.uk)

Paul Pinkney  
Strategic Growth Manager  
(01509) 634738  
[paul.pinkney@charnwood.gov.uk](mailto:paul.pinkney@charnwood.gov.uk)