

Supporting Information and Impact Assessment

Service / Policy:	Housing
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Section 1: Background Information

1. What is the proposal / issue?

To present the business case (appendix 2) and to seek approval in principle for the establishment of a Council owned housing company.

A Local Authority housing company can enable the additional delivery of housing supply across a range of tenures. Over 100 Local Authorities have set up or are considering establishing a housing company. Some companies are commercially driven and being set up to deliver additional funding for the Council's general fund; others are set up with more of a focus on affordable housing provision. A selection of these have been listed in Appendix 3.

Approval is sought to agree the principle of creating a housing development and housing management company to allow the Council to acquire, build, rent and sell housing to create both capital and revenue receipts for the authority.

While these proposals are aimed at generating capital and revenue receipts for the Council as identified in the Councils Efficiency Plan in terms of income generation, these proposals will also assist with meeting a number of targets identified within the Housing Strategy.

2. What is the current situation?

Torbay Council's Efficiency Plan which covers up to the end of 2019/20 explains that there is estimated funding gap of £21.5m over the plan period.

The transformation programme seeks to provide value for money whilst creating a financially sustainable Local Authority. The revenue and capital income generated through the proposed housing company will assist the Council in meeting its budget deficit and provide an income stream going forward.

The Councils Housing Strategy identifies a number of objectives that it would like to achieve to help meet the housing needs of local people and the housing company will allow the Council to help meet those strategic objectives on their own land.

The Councils Asset Management Plan sets out the Council should maximise the

	<p>value from its assets.</p> <p>The Council owns land which is suitable for residential development and by developing the sites itself the Council will realise both the land profit and the development profit. If land is purely sold the latter is transferred to a housing developer which in turn reduces the potential return to the Council.</p> <p>The Business Case sets out a series of examples and financial modelling based on Torbay's housing market. It provides a high level view of how a company might look and work along with the potential returns back to the Council.</p> <p>This work was carried out to inform the debate and provide officers and members with enough information to demonstrate whether or not the proposal is worth exploring further without expending the necessary cost and time it would take to undertake and produce a more comprehensive proposal for members to consider.</p>
<p>3.</p>	<p>What options have been considered?</p> <p>Sale of the land on the open market wither by way of an option, conditional contract or a promotion agreement will provide a capital receipt for the Council with little or no risk. However there is an opportunity cost to this approach in that the Council will miss out on the development profit and the revenue income from retaining properties to rent.</p> <p>A joint venture with a development partner allows the Council to share in the risk of development while still retaining a greater profit share than a straight forward disposal but not as great as delivering the homes directly. This option should still be considered during the more advanced investigations as this may provide solutions to capacity or skill shortages in the early stages of the company's development.</p>
<p>4.</p>	<p>How does this proposal support the ambitions, principles and delivery of the Corporate Plan 2015-19?</p> <p>The proposal supports the Council's ambitions for a prosperous and healthy Torbay.</p> <p>The initiative would improve the resource position of the Council and therefore help maintain support for services for vulnerable people, while working for a more prosperous bay. It aligns with existing policy documents of the Council particularly the asset management plan and the housing strategy. It allows the use of assets to improve the resource position of the Council as well as regenerating the bay. It will allow the Council to meet aspects of the strategic objectives of the Council's housing strategy.</p>
<p>5.</p>	<p>Who will be affected by this proposal and who do you need to consult with?</p> <p>Members and officers of the Council.</p>

6.	<p>How will you propose to consult?</p> <p>Consultation has taken place with:</p> <ul style="list-style-type: none"> • Members briefings • Overview and scrutiny • Senior Leadership Team • Mayors Executive Group • Housing Officer and Members group • Transformation project board <p>If members are minded to endorse the Business plan and authorise further investigations and due diligence further consultation and engagement would take place with members and officers before the final proposal is presented to Council for decision.</p>
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Section 2: Implications and Impact Assessment	
7.	<p>What are the financial and legal implications?</p> <p>At this stage the proposal is requesting sufficient funds to carry out the necessary detailed investigations and due diligence. As part of this further detailed financial modelling will take place along with the identification of the financial benefits and risks which will then be presented to Members.</p> <p>There are risks to the Council owning or developing housing to rent out directly as it will fall within the jurisdiction of the right to buy legislation and Government rent regimes. This legislation imposes specific tenancies, controls over rent setting and provides tenants the ability to purchase their home from the Council at a discount. These measures contradict with the rationale and objectives for the company and therefore a Council wholly owned company provides greater flexibility in these areas and is by far and away the most common form of structure used by other Councils to date.</p> <p>Further advice is required to advise on the various aspects of the following if the principle is approved by members:</p> <ul style="list-style-type: none"> • The appropriate company structure • Governance arrangements • Financial modelling and stress tests • Taxation • Financial flows between the two entities • Analysis of the benefits and risks
8.	<p>What are the risks?</p> <p>There are a number of risks associated with such a proposal which will require careful consideration and investigated as part of the necessary due diligence if the</p>

	principle is agreed.
9.	<p>Public Services Value (Social Value) Act 2012</p> <p>The further advice will include information on any procurement obligations facing the Council.</p> <p>Potential economic and social benefits to Torbay could include maximising the potential for apprentices and training within the Councils own developments above what the market might normally deliver.</p>
10.	<p>What evidence / data / research have you gathered in relation to this proposal?</p> <p>We have commissioned Savills to investigate the business case for creating a housing company to carry out these proposals. Their findings are contained in a report entitled, "Housing Company, Business Case – Financial Modelling" a copy of which is attached at exempt Appendix 2.</p> <p>These proposals are not groundbreaking in that a number of local authorities have already created housing companies to acquire residential property for investment or establish a development company. A selection of these can be found at Appendix 3.</p> <p>Further detailed due diligence and financial modelling is required before a detailed proposal can be tabled.</p>
11.	<p>What are key findings from the consultation you have carried out?</p> <p>The consultation has brought out a number of key messages and helpful comments. There appears to be recognition that to achieve success at pace then there will need to be levels of delegation.</p> <p>There are a number of aspirations and objectives that different consultees would like to achieve as part of these proposals and these include:</p> <ul style="list-style-type: none"> • Increased standards in the private rented sector. • Increasing the number of affordable housing units delivered. • Maximising the return from Council assets and providing a revenue stream to help support other Council services. • Greater flexibility when dealing with our housing needs for local people. • Increased levels of adapted accommodation. • Unlocking stalled sites in and around the town centre to assist with regeneration and increased foot fall into our town centres.
12.	<p>Amendments to Proposal / Mitigating Actions</p> <p>At this stage the proposal is to endorse the principle so the proposed objectives need to be explored fully before a comprehensive paper comes back to members for approval.</p>