

Annex 1

The Outline Business Case for establishing a Local Housing Company

(1) Introduction

The role of councils in meeting the housing and commercial needs of their districts is changing. Local authorities are increasingly looking at the role they can play in stimulating the local economy through increased employment and delivering new local housing investment. The drivers for taking a leading role in housing and commercial investment are to directly address local housing supply shortfalls, and to generate additional revenue to support other identified priorities.

This Outline Business Case sets out how the Council, utilising a Local Housing Company vehicle, will seek to establish a key role in delivering new housing that will meet the needs of the district going forward whilst making sound financial investments, which will help support the provision of council services. The high level objectives in setting up a Local Housing Company are as follows:

- To increase housing supply in the area to address existing demand and meet the needs of a growing population, and help boost growth in the local economy;
- To act as a stimulus for change to improve the quality of rented sector accommodation across the district;
- To set standards for good housing design and management in the local housing market;
- To generate General Fund income for the Council through returns from Private Rented Sector housing and sales receipts from market housing sales and affordable homes;
- To act as a development vehicle for the Housing Revenue Account and deliver affordable housing.

The use of a Local Housing Company model has the advantage over developing property in-house in that:

- Housing held for market rent sits outside of the HRA, so returns flow to the General Fund.
- Housing is not subject to the constraints of the Housing Act and secure tenancy regime.

The Local Housing Company will operate as a business and as such will have a separate Business Plan in place which outlines how it will operate and the resources required to meet its ambitions.

Establishing a Local Housing Company will permit the Council to provide general needs housing at social and intermediate rent levels as well as housing for market sale housing, which differs from the Council's HRA general need housing.

Local Housing Company aims and rationale

East Devon District Council is looking to set up a new housing vehicle to meet a number of social and economic objectives. These are:

- To increase housing supply in the area to meet existing and future needs of a growing population, and help boost growth in the local economy;
- To develop homes for sale;
- To act as a stimulus for change to improve the quality of rented sector accommodation across the district;
- To set standards for good housing design and management in the local housing market;
- To generate General Fund income for the Council through returns from private rented sector housing and sales receipts from market housing sales and affordable homes;
- To support the HRA in realizing its development ambitions.

Current position

There is a demand within the District for additional good quality rental accommodation and provision of properties for a variety of demographics. The Council has a modest land supply, however, developers are not coming forward to deliver the type of new housing at the rate required by the market.

Therefore, the Council believes it requires a new solution, by setting up a new housing vehicle to deliver high quality housing, making use of its unique position in respect of the following:

- The land the Council currently holds and the related opportunities associated with this land.
- The Council has access to low cost borrowing and the HRA surplus.
- The Council has a willingness to take a longer term return than the private sector.
- The Council has an existing in-house Housing Service, combining property lettings, management, repairs and improvements.

Benefits of a wholly owned Local Housing Company

The Council considered various options for a council led housing investment strategy having observed and researched activity in the social housing sector.

The Council has decided to go forward with the option of setting up a Local Housing Company. This structure provides a number of benefits which include:

- The ability to offer a wider variety of tenure types (including private rented sector);
- Profits from the Company can be returned to the Council's General Fund via dividend payments;
- No restriction caused by the HRA borrowing cap (headroom);
- Freedom from the HRA rent regime and the implications of the 'limit rent subsidy' (if properties with higher rents are introduced to the HRA then not all housing benefit costs can be reclaimed);
- Avoids potential stock losses through the Right to Buy.

SWOT analysis for establishing a Local Housing Company

<p>Strengths</p> <ul style="list-style-type: none"> ➤ Addresses need to increase housing supply in the district. ➤ Increase revenue flow to General Fund. ➤ Flexibility in product offering between market sale and market rent. ➤ Full Council control will ensure it is acting in the Council’s best interests. ➤ The Council’s liability is limited to the funds invested. ➤ Freedom and flexibilities to act commercially. ➤ Can use the expertise and experience of Directors and Non-Executive Directors from the private sector. ➤ Ability to access HCA and other external funding. 	<p>Opportunities</p> <ul style="list-style-type: none"> ➤ Potential to expand: <ul style="list-style-type: none"> o Within East Devon o Within the County o Outside the County. ➤ Potential to develop a partnership: <ul style="list-style-type: none"> o With other Councils o With private providers. ➤ Wider options for raising new capital. The Company can issue new share capital. ➤ The Company will better use existing Council assets (both land and buildings). ➤ The Company could potentially operate other commercial services.
<p>Weaknesses</p> <ul style="list-style-type: none"> ➤ Would be liable to Corporation Tax payments. ➤ VAT implications in a Company model which differ to the Council (the Council is able to recover VAT). ➤ Opportunity cost of not building purely affordable homes on HRA land – i.e. if a site can accommodate 30 new homes which would all be affordable if delivered through the HRA, there would likely be less provided as affordable homes under this route. ➤ Development and operational expertise is not in place for market rent and sale properties. ➤ Council branding may not be appealing to the private sector. ➤ Lack of necessary skills and experience at a Director/Board level. ➤ Additional overhead costs such as external audit fees, registrations with HMRC, and with Companies House. ➤ Having the commercial ‘mind set’ and culture to operate a Local Housing Company. 	<p>Threats</p> <ul style="list-style-type: none"> ➤ Displaced residents may give the new housing Company a bad reputation. ➤ Demographic changes. ➤ Residents becoming more affluent and wishing to buy rather than rent. ➤ Potential increases in interest rates and/or rate of returns for the Council. ➤ Reduced demand caused by increased cost of mortgages from higher base rates. ➤ There may be competitors planning to access the demand for housing in the EDDC area. ➤ Potential lack of access to land for future expansion. ➤ Increasing market construction costs. ➤ Struggling ownership affordability undermining ability to sell if there is a further economic downturn. ➤ State Aid and procurement rules may affect intended operations. ➤ There may be legislation changes which could be unfavorable to the current arrangement (e.g. HRA, Council land disposals/transfers). ➤ Reputation damage for the Council from any tenants removed from properties,

	<p>even if under the terms of the tenancy.</p> <ul style="list-style-type: none"> ➤ Competition from private sector who may be able to achieve greater economies of scale. ➤ Change in government policy on Right to Buy which may be extended to the affordable elements of all developments. ➤ Ability to operate flexibly and quickly with less bureaucracy than normal with Council activities.
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Setting up the Company

It is envisaged that the initial set up of the Company will be managed by the Council and will involve the following key tasks:

- Gaining relevant approvals from Council for set up;
- Obtaining legal and tax advice where required;
- Preparing relevant documentation – articles of association, shareholder agreement and other related documentation;
- Set up of the Company, including incorporation with Companies House;
- Registering the Company for tax purposes, upon commencement of operations;
- Setting up bank accounts for the Company;
- Providing an indemnity for and / or acquiring insurance for directors.

Summary of the operating arrangements

The Council can sell (or in some cases gift) land at market value (determined by an independent valuer) to the Company and advance to it financing in the form of equity and loans. The Company may also acquire/assemble land for development.

The Council will borrow, either from the Public Works Loans Board (PWLB) or through the Local Government Association (LGA) consortium to provide the financing. In some cases the HRA surplus and borrowing ‘headroom’ can be used to finance projects.

The Company will use the funds to develop homes on the transferred or acquired land, and to make acquisitions of existing homes for rent and market sale. The exact mix of rented and sale will be considered on a site by site basis. The cash inflows of the Company will therefore comprise market rents and the proceeds of property sales. These cash flows will be used to service the financing provided by the Council, providing one of the financial returns to the Council.

The properties will be designed and developed by external service providers, procured by the Company. In developing and maintaining these homes, the Company will seek to provide opportunities for local suppliers and contractors wherever possible.

In all cases maintenance and management as well as professional services (e.g. legal and finance) will be provided by the Council. Where the Council delivers services for the Company, these will be charged at market rates in line with a Service Level Agreement (SLA).

The loans from the Council to the Company will be on commercial terms, therefore addressing State Aid concerns.

Since the Council can source finance from the PWLB below commercial rates, the Council is likely to make a ‘spread’ on the interest payments received from the Company and those it makes itself to PWLB. The nature of the loan arrangements and categorisation of debt

repayments from the Company as capital receipts in the Council's finances means Minimum Revenue Provision requirements in relation to the PWLB loans can be met.

In addition, the Council it is expected will benefit from dividend payments from the Company when the availability of funds allows.

The cCompany will procure housing management and maintenance services from the council (HRA).

Financial returns to the Council

The Council will earn a return to the General Fund from the Company from three sources:

- A margin earned on services performed for the Company (set at say between 10-15% of the cost of those services);
- A margin on debt interest charged to the Company in excess of the Council's cost of those funds;
- A return on equity invested (through dividends), which reflects profits back to the Council from the Company's operation of the following activities - market sales from housing development, market rental from housing development and market rental from housing acquired.

We will forecast benefits to the General Fund and Housing Revenue Account over the first three years, including a spike of return due to profits from sales of units made in the Company. Beyond three years, the Council will receive a steady inflation linked income plus further spikes of income from sale of units.

(2) Legal implications

The Council has the power to establish a wholly owned Company through the general power of competence under s. 1 Localism Act 2011, which allows the Council to do anything that a private individual can do (subject to restrictions in any pre-existing legislation). This would therefore permit the carrying out of commercial activities and permit the development of a mix of housing provision predominantly market rent and market sale units with the ability for delivery of affordable housing units through a company.

Given that the rationale is a 'commercial purpose' (i.e. making a profit), then legally the only way this can be achieved is through a company. Thus creating the Local Housing Company delivery vehicle would achieve this ambition.

(3) Structuring Options

It is essential that we establish the Company so that it is flexible and agile, and free of much of the local authority bureaucracy. Whilst remaining accountable and owned by the Council to be effective the Company needs to be able to react quickly to opportunities, take calculated risks, and operate in the commercial environment.

Given the aim is for a profit making vehicle, this can be achieved in three ways:

- a) Company limited by shares
- b) Company limited by guarantee
- c) Limited liability partnership

Consideration has been given to a Community Benefit Society/Community Interest Company model, but this would be inappropriate given the Council's obvious focus on profit

distribution. A Limited Liability Partnership was also considered, however, the requirement for 'commercial purposes' to be carried out by a company under the general power of competence (explained above), simply does not apply to such a partnership.

Therefore, the Council is left with two choices: Company limited by shares or Company limited by guarantee. The preferred option is the former, a company limited by shares. The reason for this is the advantageous stamp duty land tax position. Such land tax can be avoided on the land value of any transfer. This is because a wholly owned company (where 75% or more of the paid up shares are owned by the transferor) has the potential to benefit from group relief Stamp Duty Land Tax.

Furthermore, the commercial flexibility means the Company can be sold through its shares and without property transfer complications.

If established as a company limited by shares then it will need to be incorporated and registered at Companies House. There are legal requirements and procedures to follow in setting up the Company – generally speaking set out within the Companies Act 2006 – which will need to be followed.

(4) Governance arrangements

As a wholly owned Company, the sole shareholder will be the Council. The Company will operate through a Board of Directors, who will be making the strategic decisions.

Members will be able to hold the Company, through the Board of Directors, to account through a sub-committee of the Cabinet (called the Housing Company Sub-Committee). This will be an important role for the Members who will be overseeing the Business Plan(s), checking on performance and deliverables via reports of the Board to the Sub-Committee either in accordance with agreed reporting deadlines or upon request.

It is envisaged that the Board will consist of 5 Directors, comprising the Deputy Chief Executive and Strategic Leads for Housing, Health & Environment; Finance; Governance and Licensing; and Organisational Development and Transformation.

Collectively, the Company's Memorandum and Articles of Association, Shareholder Agreement, Business Plan(s) and other related documentation will regulate the relationship between the Council and the Company and determine the operational framework for the Company / Board to follow when running the Company's affairs.

In general terms the following principles will be followed when finalising the documentation for the setting up of the Company:

Purpose

The purpose of the Local Housing Company is ;

- To increase housing supply in the area to address existing demand and meet the needs of a growing population, and help boost growth in the local economy;
- To act as a stimulus for change to improve the quality of rented sector accommodation across the district;

- To set standards for good housing design and management in the local housing market;
- To generate General Fund income for the Council through returns from Private Rented Sector housing and sales receipts from market housing sales and affordable homes;
- To act as a development vehicle for the Housing Revenue Account and deliver affordable housing.

Vision

The vision for the Board is to deliver housing in order to meet the following objectives:

- To meet local housing need in East Devon;
- To allow the Council to act as a key player in housing provision in the District and potentially further afield;
- To facilitate wider stimulation of the economy through delivery of more housing;
- To provide a more commercial dimension to the Council's delivery model;
- To maximise the benefits of the Council's borrowing power and access to affordable finance.

Role and Objectives

The role and objectives of the Local Housing Company Board are:

- To provide support in the set up and subsequent delivery of a Local Housing Company;
- To oversee the sourcing of specialist assistance (e.g. tax and legal advice) to support set up and delivery of the Company;
- To support the procurement and appointment of any private sector development partner;
- To identify and optimise financial resources (e.g. internal reserves and borrowing opportunities) to invest into the delivery mechanism;
- To prepare an initial Business Plan and budget estimates for the Company;
- To provide guidance to the Company on the wider housing market in order to ensure the most effective product;
- To identify further opportunities for expansion of the company;
- To be responsible for the effective management of the Company
- Report on progress quarterly to Housing Company Sub-Committee and other committees as required.

Role of the Board Members

The role of the individual members of the Board includes:

- Understand the strategic objectives, implications and outcomes of initiatives being pursued;
- Understand the risk appetite of the Board and what level of risk is not acceptable;
- Appreciate the significance of the objectives for all major stakeholders;
- Be an advocate for and committed to the agreed outcomes;
- Bring specialist knowledge to the Board, whilst at the same time taking collective responsibility for the outcomes;
- Provide effective and appropriate challenge to delivery to ensure assurance is gained;

- Alert the Board to initiatives and opportunities coming forward to assist in the delivery of the programme such as new government initiatives.

Frequency of Meetings

The Board shall meet quarterly and in line with an agreed meeting schedule.

The frequency of meetings may need to increase during key periods of activity or when issues arise.

Agenda Items

All agenda items must be forwarded to the Strategic Lead (Housing, Health and Environment) by close of business ten (10) working days prior to the next scheduled meeting.

The agenda, with attached meeting papers will be distributed at least five (5) working days prior to the next scheduled meeting.

The minutes of each meeting will be recorded and distributed by the Strategic Lead (Housing, Health and Environment) within five (5) working days of the meeting.

Board Members

All Directors are personally liable for certain functions of the Company; and to this end each Director will be advised of their collective and personal responsibilities and liabilities. It is expected that the Council will indemnify and / or insure the Directors in accordance with provisions of the Local Authorities (Indemnities for Members and Officers) Order 2004.

(5) State Aid and EU Procurement

During the establishment of the Company and preparation of the relevant documentation and the Business Plan, careful consideration will be given to the question of State Aid and EU Procurement and specific legal advice on these points will be sought.

State Aid is where a public body provides financial or tax-payer funded resource support or assistance to one or more organisations thereby conferring an advantage or has the potential to distort competition.

The factors to be considered:

- What assistance is being given to the Company by the Council?
- Does the assistance confer an advantage to one or more organisations?
- Does the assistance distort or have the potential to distort competition?
- Does the assistance affect trade between EU member states?

To ensure State Aid is avoided careful consideration to the above factors will be given. The assistance afforded to the Company by the Council is the transfer of land from the Council to the Company. In order to avoid a State Aid issue, the transfer will be at market value.

In relation to the competition point, the Company will be acting as a private company, a separate legal entity from the Council and will be treated as such. The Company will not benefit from a preferential borrowing rate from the Council, but rather at the appropriate

fiscal market rate. Any Council resources used by the Company (particularly staff) will be covered by properly constructed contractual arrangements at the current market values.

EU Procurement relates to the letting of contracts for works or services over certain threshold values (set out in regulations). Where the threshold values are exceeded there are certain requirements regarding how the contracts are awarded by public bodies (usually requiring a competitive award process) . These rules may or may not apply to the activities of the Company either with respect to how it interacts with the private sector and also in utilising services which can be provided by the Council’s existing services. More detailed consideration will be given to this aspect as the Company is incorporated and when preparing the Business Plan(s).

(6) Risk Analysis

Summary

The Council has **considered the potential risks** associated with setting up the Local Housing Company, and identified ways to mitigate these risks, which span across both the development and operating phases, as well as other non-phase related risks such as financial and legislation risk.

The Company will **maintain a risk register** and discuss any risk issues in meetings with the Board of Directors.

The Company will **practice good governance**, ensuring the right reporting structures and monitoring regimes are in place, in the best interests for the Council, as the owner, funder, operator and service provider of the Company.

Risk area	Risk consideration	Risk mitigation measures
Development	The new development designs do not pass planning requirements.	Pre-application Planning advice to be sought prior to schemes being included in works programme. Some sites already hold planning brief for residential development.
	Risk of appointing Architects who produce poor design or overpaying architects for services.	The Council will procure a design and build contract and ensure as part of tender evaluation that appropriately qualified Architects are employed on any contracts.
	Risk of inappropriately designed houses for the current target market.	Properties built by the Company will be flexible depending on tenants needs. Advice will be taken from local agents etc to ensure that the specification submitted by developers is fit for purpose.
	There is a reputational risk of the Company not obtaining planning permission from the	Pre-application planning advice will be sought. The decision to grant planning permission will sit with the Development

	Council or planning permission not being obtained in a timely manner.	management Committee. All steps are taken to ensure a suitable planning permission is granted in advance of intended start date of construction.
	Risk of unforeseen ground/site conditions which may delay demolition or construction.	Ground investigation work will take place prior to the tender process. A site conditions report will be provided with ground report in tender documentation.
	Construction price risk may cause construction costs to be much higher than anticipated – impacting the profitability and cash flow requirements of the Company.	Ensure there is a buffer/contingency available in the business plan to cover any overall price increases and unforeseen costs.
	Services/utilities are unavailable or lack capacity.	Utilities enquires will be undertaken to ensure availability and capacity prior to development.
	Specifics regarding legal title may adversely affect development costs and timescales.	Council Legal team will be requested to perform an early title review for all sites proposed in the development.
	Risk in overpaying in the procurement process.	The Council will use expertise of in house Finance/procurement and legal officers, outsourcing where necessary to ensure contracts are robust.
	Defective design and/or construction causes delays and additional costs. Construction costs are higher than estimated.	Appropriate warranties/performance bonds will be written into contracts. Post letting of contracts effective contract management processes will be put in place.
	Insolvency of contractor.	Financial checks performed as part of the procurement process and guarantees taken out where required.
Operating	Estimated sale price may not be achieved – risk of housing prices falling in the future.	Undertake sensitivity analysis to assess impact of demand changes on the Company's accounts.
	Risk that the Council does not have the time or expertise to run a sales/rental process.	Use of an estates agent to market properties or others who will have relevant expertise.
	Inability to find tenants and/or sell properties leading to loss of income and delay in Company repaying debt – potential risks to Council in repaying debt.	Use of an estates agent to market properties. They will have relevant expertise. Any short term funding arrangements should be arranged over a longer time period then needed to allow for any time

		lags. The Council may wish to consider constraints on debt service ratios such that there is an equity buffer.
	Failure to comply with rental deposit scheme requirements.	Suitable procedures will be put in place to ensure that the necessary notification requirements are provided to tenants in a timely fashion. Legal advice will be sourced where required.
	Failure to collect rent.	The rent collection will be managed by the Council who have experience in collection of commercial and residential rents. Debt recovery policies will be reviewed to ensure effective methods of recovery. Rental/credit checks will be carried out prior to letting of property. A bad debt allowance is factored into the business plan and will be monitored regularly as part of budget monitoring.
	Risk of overpaying for housing units.	Using a real estate specialist/valuer can ensure the right properties are purchased at the right price.
	Risk of unexpected delays with completion of the purchase.	Assumed timescales for completing the purchase of unit/s will be based on past experience of the Council/Company.
	The Council is unable to support the overall management of the Company.	The Board will agree a governance and management arrangement which provides for strong governance and a good interface with Council governance A Managing Director may be employed to ensure effective support to day to day operations.
	The Council has inadequate financial and legal resource to support the day to day administration and management of the Company.	The Council considers it has sufficient resource and expertise to provide this support in finance. Legal requirements are more specialist and therefore external advice will be procured where required.
	The Council has inadequate housing development resource to support the Company.	The Council may recruit an external managing director to the Company to support procurement and management of developers. The Job Description for this post will require prior development experience. A design and build contract will be procured to transfer development risk to the contractor.

	The Council has inadequate housing management and maintenance resource to support the Company.	The Council already operates management and maintenance services to Council stock and therefore is deemed to have adequate resource and expertise. An SLA will be put in place to cover roles and responsibilities.
	Risk of insufficient maintenance/insurance spend.	Lifecycle costing will be built into the Business Plan and should be reviewed Regularly.
	The sites and buildings should be kept in good condition to attract future tenants and minimize maintenance spend.	The use of stock condition surveys of HRA properties will be rolled out to the Company properties to ensure adequate ongoing investment.
	Tenant damage leading to increased void turnaround.	Recharge policies and rental deposits will mitigate against the risk. A prudent void loss % will be included in the Business Plan.
	Failure to carry out undertake gas, electrical and fire safety checks.	The Company will institute an inspection regime similar to that used in current owned HRA properties.
	Failure to source appropriate Directors for the Board.	Governance structure will be considered and approved by the Council.
	Loss of staff to the Company creating an internal salary market issue.	Attempt to align the pay and grading structure at least initially between the Company and the council.
	Complex resourcing requirements with some council staff working for the Company part time.	Ensure that we have sufficient HR capacity to support the employment contract complexities.
	The Council's constitution may not permit set up of a Company.	Council approval to be obtained following due diligence work.
	Conflicts of interest may arise between the Council and the Company due to involvement of Officers.	Legal advice will be provided to all Directors on their roles and responsibilities with regards to conflicts of interest.
Financial	Treatment of Company financial details may be challenged.	External advice will be sought on financial/tax treatment of Company. Early sign off will be sought from both the Council and Auditors of treatment of financial issues.
	The Company may not meet forecasts and therefore may not be able to service debt or pay forecast dividends. There may be low or negative returns on investment. If the Company is	Regular budget monitoring will be carried out and reports taken to the Board and the Housing Company Sub Committee. The Council will ensure that adequate reserves are in place to plan for any unforeseen issues with loan repayments.

	unable to service it's debt it will result in greater exposure on the Councils balance sheet. The Council will still be liable to pay the PWLB interest rates.	
	Change in inflation rates which may not fully be passed on to tenants (risk of rental inflation lagging behind cost inflation).	The Company could raise rents in line with the market rate. Market research should be undertaken to establish the rate of increase in rental payments and if this differs between tenures. Undertake sensitivity analysis to assess the impact on the Company's accounts if rates cannot rise in line with inflation in cost base.
	Risk that the Company will not be able to secure financing.	The Council will loan to the Company and will have sufficient funds to loan even if funding requirement increases. The Council will provide a working capital facility to fund unforeseen short term deficits.
	Changes in base tax rates and capital allowances.	Undertake sensitivity assessment to assess the impact on the Council's accounts.
	The Company does not have the resource and expertise to understand tax implications.	External tax advisors will be sourced to support the Company.
	The Council is unable to provide finance for the project as planned.	The Council is generally able to borrow through PWLB if required. Early conversations will be held with members to ensure authorisation of relevant Prudential Indicators.
Legal	The Council is acting outside of its powers (ultra vires) in establishing the Company or delivering its operations.	Legal advice is being taken. Powers to invest and/or undertake commercial activity have been established.
	State Aid with regards to the structure of the loan and land transfer arrangements – A challenge could be made through the European Commission.	Legal advice has been taken. Land will be sold at market value to the Company and a loan provided at commercial rates to mitigate any risk of State Aid.
	Relevant consents cannot be gained for the transfer of land.	Legal advice has been sought and consents understood. Any requirement to apply to Secretary of State will be planned early.
	Changes in government policy.	Currently there is a commitment to housing development as part of the

		national Growth Strategy.
	Lack of support from the Council.	Early and ongoing conversations have been held to ensure support from the Council.

Summary

This analysis and outlining of the opportunities and risks of establishing a Local Housing Company suggest that the benefits outweigh the risks if managed well.

We can start small and grow the Company at a pace that we are comfortable with and as opportunities arise. Ideally a light touch governance arrangement will allow the Company to deliver effectively in the operating commercial environment

What is clear from the advice provided is that the rationale for setting up a Local Housing Company must be clearly defined and agreed. The rationale identified for this Council includes the following:

- To make a profit;
- To access a revenue stream which will supplement the General Fund;
- To 'commercialise' service delivery;
- To access General Fund borrowing and utilize the Housing Revenue Account 'headroom';
- To complement development of new affordable housing within the HRA which will continue regardless;
- To assist in meeting the housing need in the District by offering a different housing product to that offered by the Council traditionally;
- To establish a commercial model which may be able to be used for other service provision going into the future.

The Housing Revenue Account and the Housing Revenue Account Business Plan will continue to operate alongside any Local Housing Company to deliver investment into new and existing social housing in the district. The Local Housing Company can however be invited to deliver affordable housing, which could be sold to HRA at a point in the future through either planning consent or an agreement with the council in another capacity.

The structure and makeup of the Board is at the discretion of the Council, as the sole shareholder. It is however important that the Board members hold the necessary skills and expertise to discharge their responsibilities and run the Company.

Accepting that the outline principle and purpose of a Local Housing Company the next steps will be to register the Company, prepare an initial business plan, and identify the first few projects.

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