

Report to Cabinet

Subject: Housing Company Update

Date: 19 March 2019

Author: Service Manager for Economic Growth and Regeneration

Wards Affected

All

Purpose

To update Cabinet on the work done under the commercialisation strategy in relation to housing delivery by the Council, and to seek Cabinet's support to progress this work further through the preparation of an outline business case exploring in more detail different housing delivery models which the Council could adopt.

Key Decision

This is not a key decision.

Recommendation(s)

THAT Cabinet:

- 1) Notes the work done to date by the Housing Development working group,**
- 2) Supports the preparation of an outline business case exploring different housing delivery models the Council could adopt.**

1 Background

Dynamic Council Programme

- 1.1 The Dynamic Council Programme was approved by Cabinet in October 2017, with the aim to drive the step changes required to meet future

challenges. The Dynamic Council approach focused on four key drivers:

- Digitisation
- Agile Working
- Demand Management
- Commercialism

- 1.2 Commercialism is a mechanism to “stimulate innovation, grow existing services and develop new business, and develop a commercial approach which generates a greater financial and social return that assists the Council's financial resilience and sustainability”. This will enable the Council to safeguard and improve services, and more effectively deliver its corporate aims and objectives.
- 1.3 Working Groups were established to consider the key areas of focus. The priority areas within the commercialism agenda included: strengthening the Council’s commercial culture and capability; increasing income from Council services through trading, charging and investment; increasing external funding to the Council; and increasing capital and revenue income through housing development and economic/employment growth.

Housing Development Group

- 1.4 The Housing Development working group (“the Group”) was tasked with considering the options for housing development and delivery. As part of this work, Officers identified a number of objectives, including:
 - Accelerating delivery of new homes
 - Increase affordable housing supply available for Council’s use
 - Meet housing needs of those on the housing register
 - Provide rented and shared ownership options
 - Operating without subsidy from hard-pressed General Fund budgets
 - Invest in assets that deliver an income to the Council.
- 1.5 The Group investigated different delivery models adopted by other authorities to achieve the objectives set out above. Discussions were had with Bassetlaw District Council, who had set up a joint venture with a construction company to deliver housing using a traditional developer model. Discussions were also had with Mansfield District Council who had set up a Housing Company focused on developing and selling private homes to generate a return. The Group then sought external advice from a market expert on the suitability of different housing delivery models in Gedling. The purpose of the advice was to obtain some high level input into what might work for Gedling based on our landholdings, resource make up, and taking into account the objectives set out above. Four main delivery options were considered:

- A. **Housing Revenue Account (HRA)** - The Council to retain affordable houses and to re-establish the HRA.
- B. **General Fund (GF)** - Properties can be developed or acquired and held within the GF for use as temporary accommodation, let on non-secure tenancies, at affordable rent levels and without eligibility for the Right To Buy
- C. **Local Housing Company (LHC)**- This would entail the Council setting up a limited company (or other corporate entity) as a subsidiary to develop mixed tenure properties for sale, market rent and affordable housing (potentially both rent and shared ownership sales).
- D. **Joint Venture (JV)** - This option would entail forming a legal partnership or JV company with a private sector or Registered Provider partner, with GBC holding (say) 50% of the shares or decision-making control. The JV would be partly financed by private investment, whether private equity, RP equity, bank or bond finance.

1.6 The report reviewed the options for Gedling's specific circumstances. The recommendations indicate that in this Borough and with the current market conditions, setting up a Local Housing Company would be the preferred route (option C above). This option would allow the Council to deliver a number of the key objectives, including:

- A potential mix of permanent affordable rented, market rented and for sale homes could be delivered under the Council's control
- Could apply to Council-owned land and acquired sites;
- Operating without relying on Council's budgets; and
- Providing an income to the Council.

1.7 This background work is a useful starting point for the Group and gave the Council some steer on how different delivery models/operating models could work in Gedling. However, in order to progress the work further, a more detailed business case would need to be prepared setting out the financial, resource and risk implications of different housing delivery models for Gedling. This would then enable the Council to make a fully informed decision about the best way to progress. This is likely to be a blend of various options to meet all the original objectives identified. For example, a housing company could deliver part of these (as identified above), but would require other streams of work to increase the affordable housing provision in the Borough.

2 Proposal

- 2.1 It is proposed that Cabinet notes the work done to date, and supports the preparation of a business case which will examine in detail different housing delivery models for the Council, including the option of establishing a Housing Delivery Company. This will involve the comparison of the delivery options: how they meet the Council's core objectives for the project, the likely set up costs and the expected timeframe for delivery. A focused Housing Company Steering Group will be established using the corporate project management principles to drive the project forward. The decision of the preferred delivery mechanism will be subject to a subsequent Cabinet approval once the business case has been prepared.

3 Alternative Options

- 3.1 Members could decide not to support the progression of a business case. Without further work the Council would not be in a position to develop this strand of the commercialisation strategy and develop detailed proposals for housing delivery in the borough. There is insufficient information at this stage to enable Members to make an informed decision on the best way to deliver housing, so, in order to progress this further member support is sought.

4 Financial Implications

- 4.1 Any additional resource implications will be considered as part of the outline business case preparation. There may be a need for further feasibility work in the interim, but this will be covered from existing revenue budgets. It is recognised that this piece of work will have an impact on resources in terms of officer time spent preparing the business case. It is for this reason that member support is sought to progress this work stream.

5 Appendices

- 5.1 None.

6 Background Papers

6.1 None.

7 Reasons for Recommendations

7.1 To update councillors on the progress to date.

7.2 To provide officers with a steer in order to progress to the next stage.