

Public Document Pack



Please note that the following documents were published separately from the main agenda for this meeting of the Executive to be held on Monday, 18th December 2017 at 6.00 pm in Committee Room 1, City Hall.

3. Establishment of a Wholly Owned Housing Company (Pages 3 - 4)

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EXTRACT FROM COMMITTEE

Policy Scrutiny Committee

28 November 2017

28. Establishment of a Wholly Owned Housing Company

Bob Ledger, Director of Housing and Regeneration

- a. presented a report that detailed the proposed Housing Company which would be wholly owned by the Council.
- b. advised that the Executive approved in principle the formation of a wholly owned housing company at the meeting held on 29th February 2016 subject to a detailed business plan.
- c. explained the 4 key objectives of the Housing Company as detailed at paragraph 5.1.1 of the report.
- d. advised that in establishing the business case officers had taken specialist advice from Trowers & Hamlins LLP in respect of legal and governance matters as detailed at paragraph 5.2 of the report.
- e. stated that the company would not employ any staff at its point of creation and for the foreseeable future but would utilise the Councils housing management, legal and financial services and would pay the Council for the use of services.
- f. referred to paragraph 6 of the report and detailed the financial implications.
- g. referred to paragraph 9.2 of the report and explained the key risks associated with the preferred approach.
- h. invited members questions and comments

Question – How much interest would be charged on the money loaned?

Response – The interest paid by the company to the General Fund would be around 5%.

Question – If there was anything wrong with a developer would the Council be liable?

Response – The Company would procure a builder in the same way as the Council had procured builders for the new build project.

Question – How many of the properties would be sold?

Response – In the market plan 42 properties would be for market rent and 11 properties would be for market sale. Research on the housing market in Lincoln showed that there was a limit on how much the Company could charge for rent. Selling 11 properties would generate income early in the business plan.

Question – Would there be enough sites in Lincoln?

Response – There was a limited amount of land within the Lincoln boundaries. A planning application would be submitted for 320 units on Queen Elizabeth Road. Also land on the Western Growth Corridor was needed, other sites would need to be considered.

Question – Would the Company need to pay Capital Gains Tax?

Response – Stamp Duty, Corporation Tax and VAT would have to be paid.

Question – Where would the Company borrow money from?

Response – Money would be borrowed by the General Fund and then lent to the Company with a margin being applied.

Question – Could money be borrowed from other local authorities?

Response – Yes it could be.

Question – Why would the Company be offering assured short hold tenancies rather than secure tenancies?

Response – Assured short hold tenancies would provide more freedom for the company, for example if would need to secure a property quickly if rent was not being paid. This would be a different model to the model used by the HRA and would in effect reflect the private rented sector need to operate commercially.

Question – Would there be development in Park Ward?

Response – If the Company was established there could be a role for development in the Park Ward area, however, the resources would need to be found.

Question – How much liaison had there been with other local authorities who had set up Housing Companies?

Response – Officers had liaised with both South Holland and North Kesteven District Councils They had also received legal advice from Trowers & Hamlins who were the specialists in the formation of similar company models.

Question – Would people be able to access options such as the rent to buy scheme?

Response – There would be opportunities to access the sale properties through rent to buy and also other options would be considered such as shared ownership.

Question – Would people be entitled to the Right to Buy Scheme?

Response – No as they would not be secure tenancies and they would be run by the company not the Council.

Question – Would the current staffing levels need to be increased in future?

Response – It was proposed to keep the staffing levels the same.

Question – Would the company pay off the loans early if the opportunity arose?

Response – The company might outperform the business plan, officers had to be prudent when developing the business plan.

Question – Would there be enough money set aside to cover repairs/

Response – The budget had been set based on experience as landlords in the HRA and from advice provided by consultants who had been involved in setting up other companies. Any immediate major work would be covered in the builders warranty.

Question – Would families on the housing waiting list be given the opportunity to rent a property before they were advertised on the open market?

Response – We would offer to families on the housing waiting list first, however, it was not anticipated that there would be much take up as the rent would be the same as the private sector. The company would likely utilise a private Estate Agent to market the houses.

RESOLVED that the narrative of the business case and detailed financial estimates of the Company Business Plan be noted and referred to Executive for approval.