

Supporting Information and Impact Assessment

Service / Policy:	Transformation
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Section 1: Background Information

1.

On 22 September 2016, Council agreed the principle of setting up a new wholly owned company to develop and own homes, with the overarching aim of maximising income back to the Council, as well as supporting the objectives of the Council's Housing Strategy. Council approved the use of funding to undertake necessary further due diligence in order to progress the proposal.

Subsequently on 24 February 2017, Council agreed to the establishment of three new companies limited by shares: (i) a Holding Company (HoldCo), (ii) a Housing Development Company (DevCo) and. (iii) a Housing Rental Company (RentCo), which is currently in progress.

The Holding Company will be wholly owned by the Council and, as the name suggests, act as a holding company for the Council's interest in the Housing Development Company, and Housing Rental Company as well as any other companies that the Council decided in the future to include within the Holding Company group.

The decision taken at Council on the 24 February set out that that a Housing Company Policy Framework document would be presented to Council for consideration in April 2017.

This report comes to Council for approval of a Policy Framework document.

There are two versions of the Policy Framework document appended to this report:

1. A Mayoral proposal - this Policy Framework sets out to only deliver elements of the Council's Housing Strategy through funds available to the Council for affordable housing. This Policy Framework is clear that the Council will not use the companies (outlined above) to deliver this work – the work will be undertaken, or commissioned by the Council. This Policy Framework document also sets out that the Council will utilise funds available as a result of contributions for affordable housing and will not undertake prudential borrowing.
2. An officer proposal – This Policy Framework document sets out the strategy for the management of RentCo and DevCo including purchases/investments and forms the initial Business Plan of all of the companies (HoldCo, DevCo, RentCo). It is proposed that Council

	<p>approves £50m of Prudential Borrowing to facilitate the work of RentCo and DevCo with the developments/phases being approved by the Housing Company Committee to draw down against this amount.</p> <p>Officers in conjunction with the 'Housing Group' have developed the officer proposal, this version has been subject to early input from Overview and Scrutiny via a 'Task and Finish Group'.</p> <p>The Mayor has had the opportunity to consider the officer proposal and is presenting a Mayoral Proposal.</p>
	<p>What is the current situation?</p> <p>This is a new proposal for the Council.</p>
3.	<p>What options have been considered</p> <p>Please see section one as above – two options are being proposed:</p> <ol style="list-style-type: none"> 1. Proposal Policy Framework One – Mayoral Proposal. 2. Proposal Policy Framework Two – Officer Proposal.
4.	<p>How does this proposal support the ambitions and principles of the Corporate Plan 2015-19?</p> <p>Ambitions: Prosperous and Healthy Torbay</p> <p>Principles:</p> <ul style="list-style-type: none"> • Use reducing resources to best effect
5.	<p>Who will be affected by this proposal and who do you need to consult with?</p> <p>Officers, in conjunction with the 'Housing Group' have developed the Officer Proposal – this document has been subject to early input from Overview and Scrutiny via a 'task and finish' group.</p>
6.	<p>How will you propose to consult?</p> <p>No further consultation is required at this stage.</p>

Section 2: Implications and Impact Assessment

7.	<p>What are the financial and legal implications?</p> <p>Detailed legal, tax and financial advice has been previously received and this was outlined in Appendix 2 to the report considered at Council on 24 February 2017.</p> <p>Proposal Policy Framework One – Mayoral Proposal:</p> <p>The Council will utilise funds available as a result of contributions for affordable housing and will not undertake this work through the housing companies.</p> <p>Proposal Policy Framework Two – Officer Proposal:</p> <p>DevCo:</p> <p>The maximum level of investment for DevCo will be up to £25m at any one time – this will be provided by the Council via a loan facility</p> <p>RentCo:</p> <p>The maximum level of investment for RentCo will be up to £25m at any one time – this will be provided by the Council via a loan facility</p> <p>Working Capital:</p> <p>Working capital/set up funding to cover costs will also need to be provided to HoldCo in the form of a loan from the Council – the terms of which will be specified by the Head of Finance – this will then be distributed to DevCo and RentCo (estimated 50/50 split) - it is proposed that this is £500,000. It should be noted that if schemes are not progressed this would be an abortive cost to the Council.</p> <p>Prudential borrowing drawdowns:</p> <p>DevCo and RentCo will be financed by the Council using prudential borrowing.</p> <p>The Prudential Borrowing will need to be in line with the Councils Treasury Management Strategy and Minimum Revenue Provision (MRP) Policy. The Council and the companies (DevCo & RentCo) will work together to ensure there is appropriate levels of cash flow.</p>
8.	<p>What are the risks?</p> <p>Proposal Policy Framework One – Mayoral Proposal:</p>

	<p>This proposal would limit the work of the Council to only deliver elements of the Council’s Housing Strategy through funds available to the Council for affordable housing – therefore Torbay would be the only location for the delivery of this strategy, and only assets that directly support delivery of the Housing Strategy will be acquired.</p> <p>Proposal Policy Framework Two – Officer Proposal:</p> <p>The officer proposal seeks to reflect a suitable balance between the risks inherent in the types of properties to be acquired / developed and the financial rewards obtainable whilst limiting risks appropriately. In addition, it is proposed that the portfolio of properties being acquired / developed should be diversified in order to spread risks, such diversification principally being across the use and type of properties held.</p> <p>A rigorous assessment of all risks would be required for each business case put forwards by DevCo and for each phase put forward by RentCo.</p> <p>The risks will be measured and an assessment made of the likely future performance of the investment carried out based on the ranges of likely future rental growth and voids of the property and also the projected disposal price or capital value at the end of the period over which the cash flow analysis is being measured.</p> <p>To mitigate against some of the risks outlined above it is proposed that the Head of Finance can refer any proposed investment decision (irrespective of value) to Full Council for consideration where they deem this is in the best interest of the Council.</p>
9.	<p>Public Services Value (Social Value) Act 2012</p> <p>N/A – the Council will not be procuring services at this time.</p>
10.	<p>What evidence / data / research have you gathered in relation to this proposal?</p> <p>Please see Appendix 2 and Appendix 3 – both Policy Framework Documents outline the relevant evidence/data/research gathered to support the proposals outlined.</p>
11.	<p>What are key findings from the consultation you have carried out?</p> <p>N/A</p>
12.	<p>Amendments to Proposal / Mitigating Actions</p> <p>N/A</p>

Equality Impacts

13	Identify the potential positive and negative impacts on specific groups			
		Positive Impact	Negative Impact & Mitigating Actions	Neutral Impact
	Older or younger people		No differential impact	
	People with caring Responsibilities		No differential impact	
	People with a disability		No differential impact	
	Women or men		No differential impact	
	People who are black or from a minority ethnic background (BME) <i>(Please note Gypsies / Roma are within this community)</i>		No differential impact	
	Religion or belief (including lack of belief)		No differential impact	
	People who are lesbian, gay or bisexual		No differential impact	
	People who are transgendered		No differential impact	
	People who are in a marriage or civil partnership		No differential impact	
	Women who are pregnant / on maternity leave		No differential impact	

	Socio-economic impacts (Including impact on child poverty issues and deprivation)	No differential impact
	Public Health impacts (How will your proposal impact on the general health of the population of Torbay)	No differential impact
14	Cumulative Impacts – Council wide (proposed changes elsewhere which might worsen the impacts identified above)	No differential impact
15	Cumulative Impacts – Other public services (proposed changes elsewhere which might worsen the impacts identified above)	No differential impact

