



Meeting: Council

Date: 22 September 2016

Wards Affected: All

Report Title : Transformation Project – Generating Income through Housing

Is the decision a key decision? Yes

When does the decision need to be implemented? Immediately

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1. Proposal and Introduction

- 1.1 This report presents the business case for the principle of setting up a new wholly owned development company to develop and own homes with the overarching aim of maximising income back to the Council.
- 1.2 Approval is sought to endorse 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.
- 1.3 The creation of a housing management company will allow the Council to buy and then rent out homes to provide a revenue return for Torbay Council.
- 1.4 A housing development company will allow the Council to undertake housing developments on its own land and also land owned by third parties for the purposes of generating income for the Council and providing additional affordable housing for local people.
- 1.5 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 sold the latter is transferred to a housing developer.
- 1.6 While these proposals are aimed at generating capital and revenue receipts for the Council as identified in the Council's Efficiency Plan in terms of income generation, these proposals will also assist with meeting a number of targets identified within the Housing Strategy.

2. Reason for Proposal

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

- 2.2 The Council's transformation programme identified within the efficiency plan explains that the Council will '*deliver projects which will maximise income from investments and services*'.
- 2.3 There continues to be an immense challenge to prepare and deliver robust budgets year on year which provides the statutory services of the Council as well as those discretionary services which are valued by the community. Over 60% of the Council's net budget is allocated to social care and the estimated budget gap needs to be set in the context that the Council faces rising costs, in particular to meet the needs of an increasingly elderly and frail population as well as additional pressures in children's services.
- 2.4 The findings from the two external peer review process that Torbay Council is a viable organisation moving forward provided that tough financial decisions are made at pace.
- 2.5 The objectives of the housing company are to:
- Maximise the return from Council assets.
 - Provide a revenue income to the Council to support other Council services.
 - Enable the delivery of elements of the council's housing strategy which may include:
 - Increase the number of affordable homes delivered;
 - Increase standards in the private rented sector;
 - Provide greater flexibility when dealing with our housing needs for local people;
 - Increase the level of adapted accommodation;
 - Unlock stalled sites in around the town centre to assist with regeneration and increase footfall in our town centres; and
 - Assist with regenerating areas of deprivation.
- 2.6 A significant amount of due diligence and specialist advice is required before a thorough report and supporting information can be presented to Members but a decision in principle gives a helpful steer to minimise the potential abortive costs. The further advice and due diligence will include:
- The appropriate form or company structure.
 - Governance arrangements.
 - Financial modelling and stress tests.
 - Taxation.
 - Financial flows between the two entities.
 - Analysis of the benefits and risks.

3. Recommendation(s) / Proposed Decision

- 3.1 That Council agree the principle of setting up a new wholly owned development company to develop and own homes with the overarching aim of maximising income back to the Council.
- 3.2 That up to £75,000 be authorised from the Transformation Fund to undertake the necessary due diligence, explore the objectives listed in paragraph 2.5 to the submitted report and to carry out:
- The appropriate company structure;
 - Governance arrangements;
 - Financial modelling and stress tests;

- Taxation;
- Financial flows between the two entities; and
- Analysis of the benefits and risks.

Appendices

Appendix 1: Supporting Information

Appendix 2: Housing Company Business Case – Financial Modelling (exempt report)

Appendix 3: List of Councils that have created a Housing company

Background Documents

Efficiency Plan – Meeting the ambition, meeting the challenge.

Torbay Councils Housing Strategy

Torbay Councils Asset Management Plan