

<b>Report to:</b>	Cabinet	<b>Date of Meeting:</b>	25 July 2019
<b>Subject:</b>	Sefton Council Housing Development Company- Sandway Homes Limited		
<b>Report of:</b>	Chief Executive and Head of Corporate Resources	<b>Wards Affected:</b>	(All Wards);
<b>Portfolio:</b>	Cabinet Member - Communities and Housing		
<b>Is this a Key Decision:</b>	Yes	<b>Included in Forward Plan:</b>	Yes
<b>Exempt / Confidential Report:</b>	<p>NO, but Annexes 1, 2 and 3 of the Report are NOT FOR PUBLICATION by virtue of Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972.</p> <p>The Public Interest Test has been applied and favours the information being treated as exempt.</p>		

### Summary:

Following the creation of the Council's wholly owned Housing Development Company, Sandway Homes Limited (SHL), work has been undertaken to update the Company's Business Plan for the Phase 1 programme including a full re-cast of all financial information. This report provides Members with the full detail provided to the Council by the Company, an evaluation of the development appraisals and the decisions required by Members.

### Recommendation(s):

It is recommended that Cabinet : -

- Approve the Updated development appraisals for Sandway Homes Limited and give approval to proceed to the delivery of Phase 1;
- Note the updated financial return that is due to the council from the company through Phase 1 and approve that this be included within the Council's 3-year Medium Term Financial Plan (2020/21 to 2022/23);
- Approve the basis for the transfer of land to the Company as set out in the report;
- Approve the company's approach to risk management and financial control as set out and note the internal and external factors that could influence and impact upon the final financial return to the Council;
- Approve the level and principles that will underpin the peak debt that can be accessed to the Company as set out in the report;
- Approve the loan agreement included at Annex 3 between the Council and Sandway Homes Limited;

- Note the accounting treatment of Sandway Homes Limited within the Council's Statement of Accounts as set out in the report;
- Note and Approve the Council's governance arrangements in relation to Sandway Homes Limited as set out in the report; and
- Approve the request to Sandway Homes Limited to identify up to 5 affordable homes for purchase by the Council for the purpose of providing Council Housing and that a subsequent report, detailing the exact assets to be purchased and the financial implications be provided to support the decision in accordance with the Council's constitution and Financial Procedure Rules.

### **Reasons for the Recommendation(s):**

Since 2016 the Council has been considering its role in the provision of housing throughout the Borough to complement an active third and private sector market. There is significant demand for housing sites and housing development within Sefton, with over 11,000 housing units being required, over the Local Plan period, in order to meet with the local housing demand.

There is a national shortfall of circa 1m homes (of which 400,000 fall into affordable homes) whilst across the Liverpool City Region a total of circa 50,000 housing units will be required in the medium term. The creation of a Housing Development Company will be able to increase housing completions and the availability of choice for residents and those whom wish to live in Sefton.

### **Alternative Options Considered and Rejected:**

The Council set out its evaluation criteria in October 2017 that led to the decision to establish a wholly owned Housing Development Company.

### **What will it cost and how will it be financed?**

#### **(A) Revenue Costs**

All Revenue Implications are addressed in the subsequent annexes on this agenda

#### **(B) Capital Costs**

All Capital Implications are addressed in the subsequent annexes on this agenda

### **Implications of the Proposals:**

The following implications of this proposal have been considered and where there are specific implications, these are set out below:

<b>Resource Implications (Financial, IT, Staffing and Assets):</b>
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All resource implications are contained within the subsequent report on this agenda

**Legal Implications:**

Pursuant to the General Power of Competence under sections 1 to 4 of the Localism Act 2011 the Council has the power to set up and participate in a company.

Section 95 Local Government Act 2003 and the Local Government (Best Value Authorities) (Power to Trade) (England) Order 2009 provide that the Council must establish a company through which to trade.

Section 123 Local Government Act 1972 provides that when disposing of land the Council must not do so for consideration less than the best that can be reasonably obtained.

**Equality Implications:**

There are no equality implications arising from this report.

**Contribution to the Council's Core Purpose:**

Protect the most vulnerable:

Facilitate confident and resilient communities: The proposals will add housing choice within the heart of Sefton's communities, facilitating confidence.

Commission, broker and provide core services: Projected returns to the Council, as sole shareholder, from the Housing Company which will provide revenue to contribute towards service provision

Place – leadership and influencer: Housing is a significant contributor to building a better sense of place

Drivers of change and reform: Physical infrastructure (housing) is a significant contributor to and enabler/catalyst for change

Facilitate sustainable economic prosperity: The proposals will make a significant contribution to the local economy, both by way of a direct impact to construction and civil engineering jobs, but additionally providing a housing supply and choice for residents whom wish to live and work in Sefton and wider across Merseyside

Greater income for social investment: the Business Case identifies the opportunity for the Housing Company to commission a greater level of social value

Cleaner Greener: The proposals will be compliant with the Building Regulations and other Planning and Habitat regulations meaning Sefton builds cleaner and greener

## **What consultations have taken place on the proposals and when?**

### **(A) Internal Consultations**

The Head of Corporate Resources (FD 5710/19) and Chief Legal and Democratic Officer (LD 4834/19) have been consulted and any comments have been incorporated into the report.

### **(B) External Consultations**

#### **Implementation Date for the Decision**

Following the expiry of the “call-in” period for the Minutes of the Cabinet Meeting

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#### **Appendices:**

- Annex 1 – Detailed analysis of the revised development appraisals from Sandway Homes Limited
- Annex 2 – Sandway Homes Limited Development Appraisals
- Annex 3 – Proposed loan agreement between Sefton MBC and Sandway Homes Limited

#### **Background Papers:**

There are no background papers available for inspection.

## 1.0 **Introduction and Background**

- 1.1 In October 2017, Cabinet received a business case that would provide the basis for the development and incorporation of a Housing Development Company. Following consideration of that business case and having taken the opportunity to evaluate the advice of the Council's external advisors at that point in time a number of recommendations were made and approved.
- 1.2 Since that meeting in October 2017, work has commenced on establishing the company, Sandway Homes Limited, which is a wholly owned council company incorporated on 29 October 2018. Following inception, work has commenced within the Company on a range of activities including: -
- The establishment of the Company's Board including Non- Executive Directors;
  - A full review of the original Business Plan via the production of individual development appraisals for each site to inform the activities of the company;
  - The development of a loan agreement with the Council that sets out the basis of financial support and subsequent repayment of any loans; and
  - The basis of the transfer of any land from the Council to Sandway Homes Limited.
- 1.3 As it is over 18 months since the original Business Case was developed, it is considered that each of these activities form an essential part of the governance, due diligence and business planning that should be undertaken within the Company.

## 2.0 **Work undertaken**

- 2.1 As set out, the Company has over the last 3-4 months conducted a full review of its Business Plan for Phase 1 of its operations. This has included a review of all aspects in relation to operational activities including the build programme, income and expenditure budgets, resulting financial performance and risk. This has allowed the Council to evaluate each of these aspects and the financial performance from Phase 1 and make appropriate recommendations to Cabinet. Due to the commercial sensitivity, these are set out in the subsequent annexes on this agenda.

## 3.0 **Provision of Affordable Housing by Sefton MBC**

- 3.1 As part of this review, Members will note that the company will be policy compliant with all aspects of Housing development. This will include the provision of affordable housing. In support of the direct provision of housing by the Council to residents of the Borough, it is proposed that up to 5 affordable homes will be purchased from Sandway Homes by the Council for this purpose. This will be funded from the expected capital receipt due to the Council from the company. It is recommended that the Company be informed of this request and be asked to

identify suitable homes for sale. Upon confirmation of the assets that will be the subject of acquisition, a further report will be provided to Members for decision in accordance with the Council's Constitution and Financial Procedure Rules.

