

Report to:	Cabinet	Date of Meeting:	3 September 2019
Subject:	Sefton Council Housing Development Company - Sandway Homes Limited		
Report of:	Chief Executive and Executive Director of Corporate Resources & Customer Services	Wards Affected:	(All Wards);
Portfolio:	Cabinet Member - Communities and Housing		
Is this a Key Decision:	Yes	Included in Forward Plan:	Yes
Exempt / Confidential Report:	<p>NO, but Annexe 1 of the Report is NOT FOR PUBLICATION by virtue of Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972.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) and the revised business case presented to Cabinet on 25th July 2019 (the Business Case), this report provides an update to Members of progress made over the last 12 months using the information provided to the Council by the Company. The report presents the most up to date financial position against the business case and details further decisions requested of Members.

Recommendation(s):

It is recommended that Cabinet:

- Note and approve the updated financial forecasts for the returns to Sandway Homes Limited through delivering the Phase 1 Business Plan and for the Council in terms of the realisation of the benefits detailed in the Business Case.
- Note the internal and external factors that could influence and impact upon the financial returns to the Council and approve the controls in place to manage these.
- Note the risk management arrangements that continue to be in place in respect of Sandway Homes Limited

- Note the changes to key personnel within Sandway Homes Limited as set out in the report.
- Based on the information contained within the report approve Sandway Homes Limited continuing to progress with the delivery of the Phase 1 Business Plan.
- Approve Sandway Homes Limited and the Council continuing to work together to determine the exact assets the Council could purchase from the company as social housing and the financial implications, which will be provided in a subsequent report to support a decision in accordance with the Council's Constitution and Financial Procedure Rules.
- Approve that the Council engage the Company with a view to developing the Phase 2 Business Case and that this be the subject of a subsequent Cabinet report .

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. Sandway Homes Limited seeks to increase housing completions and the availability of choice for residents and those wishing 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 within the report.

(B) Capital Costs

All capital implications are addressed within the report.

Implications of the Proposals:

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

Resource Implications (Financial, IT, Staffing and Assets):

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 SHL 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 wishing to live and work in Sefton and across Merseyside

Greater income for social investment:

The Business Case identifies the opportunity for SHL 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

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What consultations have taken place on the proposals and when?

(A) Internal Consultations

The Executive Director of Corporate Resources and Customer Services (FD6086/20) and Chief Legal and Democratic Officer (LD4269/20.) have been consulted and any comments have been incorporated into the report.

(B) External Consultations

There have been no external consultations.

Implementation Date for the Decision

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

Contact Officer:	Stephan Van Arendsen
Telephone Number:	0151 934 4081
Email Address:	stephan.vanarendsen@sefton.gov.uk

Appendices:

Annex 1- Updated Business case analysis

Background Papers:

There are no background papers available for inspection.

1.0 Introduction and Background

- 1.1 In October 2017, Cabinet approved a full business case (FBC) that provided 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 by Cabinet.
- 1.2 Since that meeting in October 2017 Sandway Homes Limited (SHL) has been established as a private limited company, incorporated on 29 October 2018, which is wholly owned by the Council. Since inception, SHL has completed a range of activities including: -
- The establishment of a Board of Directors including Non- Executive Directors;
 - A full review of the Business Plan to inform the activities of SHL;
 - 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 for the transfer of land from the Council to SHL.
- 1.3 These activities resulted in an updated report including business case revisions being approved by Cabinet in July 2019 .

2.0 Work undertaken since July 2019 and Revised Business Plan projections

- 2.1 Sandway Homes Limited has now been working to deliver the revised Business Case that was approved in July 2019. In that time the detailed designs, plans and financial assessments for the first phase of development (Phase 1 – 3 sites) have been developed in more detail.
- 2.2 This has included refinement of all aspects in relation to operational activities including the build programme, income and expenditure budgets, and associated financial performance and risk. This has allowed the Council to evaluate each of these aspects and the financial performance from Phase 1 taking specific account of any impact arising from the COVID 19 pandemic that can be evaluated at this time.

3.0 Provision of Affordable Housing by Sefton MBC

- 3.1 Members will note that SHL continues to be policy compliant with all aspects of housing development, including delivery of all of the required affordable housing on each of the three sites in Phase 1.
- 3.2 In addition, the Cabinet report of July 2019 requested that the Company provide the Council with a proposal for providing a number of units from Phase 1 in support of the direct provision of housing by the Council to residents of the Borough.
- 3.3 Since that point the company has worked with the Council's housing service in order to identify the current Council needs in terms of social housing and options for how SHL could contribute to meeting these needs through the Phase 1 development.
- 3.4 From that work it has been identified that there is a particular need for one and two bedroom apartments, including ground floor apartments that are constructed to Accessible standards.
- 3.5 The company has included in the revised scheme for the site at Buckley Hill Lane, Netherton, two apartment blocks each comprising one and two bedroom units as well as ground floor accessible units.
- 3.6 The initial assessment undertaken by the Council suggests that one of these apartment buildings could fulfil the Council's ~~initial~~ needs in terms of council housing. Approval is therefore requested as part of this report for negotiations to continue between Council officers and the Company in respect of this opportunity and report back to Cabinet with the outcome of discussions and any resulting recommendations. .

4.0 Phase 2 Development

- 4.1 The original Full Business Case (FBC) approved in October 2017 provided specific approval to set up the company and progress with a Phase 1 Business Plan. The FBC also included a declared aspiration for the company, if successful, to continue with a view to delivering c. 550 units in total to contribute to the borough's 2030 housing target.
- 4.2 The Phase 1 Business Plan is now well progressed with all design and planning activity now largely complete, with construction due to start in September 2020 and to complete by September 2022.
- 4.3 The Council is currently engaged in an asset review and disposal programme, which includes a number of sites allocated for housing in the Local Plan. Some of these sites could be suitable for acquisition and development by SHL ensuring that the kind of mixed tenure quality housing the Council wants and needs is delivered and brought forward as quickly as possible; and that development value is retained by the Council for reinvestment in council services.

- 4.4. With the lead in time required for a Phase 2 Business Plan to be developed by the Company, Members are requested to approve that the Council officers and Shareholder Representative engage with the Company to commence drafting proposals for a potential Phase 2 Business Plan for the continuation of the development activities of SHL following completion of Phase 1. The outcome of this work will be reported to Cabinet for consideration and approval as required.

5.0 Governance arrangements for Sefton MBC

- 5.1. Members will be familiar with the overall governance framework of the Company and its relationship with the Council. The Council's shareholder representative continues to be the Cabinet Member for Communities and Housing, who will be supported in that role by the Chief Executive and the Executive Director for Corporate Resources and Customer Services (s151 officer). Any issues that the Company wish to revert to the Council will continue to be made via the Shareholder representative.
- 5.2. As part of its operations, the Company will be required to produce an annual report in addition to statutory financial returns. A summary of this will be incorporated within the Council's annual outturn report and as stated will be incorporated within the Council's Financial Accounts that are the subject of external audit and approval by the Audit and Governance Committee. The Company will also be subject to review by the Council's Internal Audit team.
- 5.3. In the past 12 months there have been a number of changes in relation to the membership of the Company Board (listed below). All such changes are made as recommendations by the Board for approval by the Shareholder Representative (SR) before they are implemented:
- Sarah Kemp resigned as Executive Chair of the Board in March 2020. In consultation with and subsequently approved by the Shareholder Representative, one of the existing Non-executive Directors, Graham Kean, was recommended for the role of Non-executive Chair and was duly appointed in April 2020.
 - The approved October 2017 Full Business Case included plans for a Council Officer to set up the company and act as the first Managing Director then at the appropriate time, a recruitment process would be undertaken for a full time Managing Director. The Council's Head of Service for Commercial Development currently fulfils that role. As the company is about to progress to construction, there is justification for employing a full-time managing director from a house-building background. In consultation with the Shareholder Representative a recruitment process was commenced, and a preferred candidate has now been identified. Subject to approval from Cabinet for the Company to continue with delivery of Phase 1 a formal offer will be made to this candidate in October 2020.
 - The current Company Secretary is the Council's Chief Legal and Democratic Officer. The company requires more full time company secretary services than it is possible for the current secretary to provide. Therefore, the Board will be

recommending the appointment of the company's current business manager, who is a qualified company secretary.

