

To-follow paper

## **Scrutiny Update – Local Housing Company**

### **Introduction**

This report provides Scrutiny with an update on progress made on the Local Housing Company and the progress in developing the initial 3 development sites.

### **Background**

In [October 2020 Cabinet](#) resolved to set-up a Local Housing Company and to loan the company up to £23m to fund the Capital development. This decision was called in by [Scrutiny in November 2020](#).

This decision was based upon the model produced by Savills and provided a scheme that provided 139 properties of a mix of 1- and 2-bedroom properties. The model was developed based upon build costs, provides allowances to enable energy efficiency standards as well as factoring in whole lifecycle costs of developing, managing, and maintaining the properties. Overall development costs were deemed to be between £20 million and £23 million. The detailed modelling was presented to the Cabinet and Scrutiny by Savills at the time demonstrated a financially viable scheme and based the financing of SRH entirely from the Council with a repayment period within the 50-year period (as per terms of the PWLB).

### **Progress to date**

- The governance arrangements have been established which includes:
  - A Shareholder Panel (SP) (who acts on behalf of the Council to provide oversight and scrutiny to the Local Housing Company). The Shareholder Panel consists of five member. It is chaired by Cllr. Truelove. The Section 151 Officer and Chief Executive are advisors to the Shareholder Panel
  - Shareholder agreement established.
  - Swale Rainbow Homes (SRH) Ltd formed and constituted on 15<sup>th</sup> April 2021, Chaired by Emma Wiggins.
  - Articles of association in place for the company.
  - SRH board meetings take place monthly and SP meetings take place bi-monthly. Members of SP are permitted to observe SRH board meetings.
  - Due to the SP having oversight of SRH it is the SP representatives who are accountable to the Council and therefore Scrutiny and who are present at the committee.
- SRH have taken the Savills business case and developed their own business plan. To take the scheme forward, SRH agreed to appoint a development director. Following an open-market tender process Counties & Capital Consulting were appointed.
- C&CC have appointed architects to carry out massing studies based upon the modelling within the Savills business plan and have agreed an outline scheme, currently at circa. 185 units. Using this outline scheme more detailed

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cost analysis has been developed, which has been tested against the original model.

- Since this initial modelling in 2020, there has been significant changes to the UK economy and in particular the construction industry. With significant inflation in materials and labour market shortage, this has led SRH to review the financial appraisal assumptions of the schemes.
- SRH Consultants C&CC have undertaken an options and analysis review of the modelled costs and worked with the Council's S.151 Officer in terms of the parameters that loan financing would be acceptable to the Council.
- This review has highlighted that the current model in the current economic climate does not provide a financially viable scheme. Therefore, alternative options for delivery have been explored. Modelling has been carried out to determine if different and mixed tenure options would provide a financially viable scheme. These options weren't acceptable in terms of financing options or to meet the original aims of the scheme and SRH.
- SRH have therefore explored the option of grant funding to enable a viable scheme to come forward.
- A positive meeting has taken place with Homes England (HE), who have confirmed that the scheme would meet the criteria for HE Affordable Homes Programme (AFHP 2021/26) and have encouraged SRH to make an application.
- To apply for AFHP 2021/26 there is a requirement to become an Investment Partner (IP) with HE and any homes built must be owned and managed by a Registered Provider (RP).
- It was agreed by the SP to become an IP at their meeting in March and the collation of information for the application is underway.
- SRH has agreed to apply to become a RP.
- Although this will cause delay to the original scheme programme, it will enable for a viable scheme and ensure that 100% of homes built will be affordable rent tenure in perpetuity.
- SRH are currently progressing with architect work on the schemes, working towards planning submission in May/June 2022.

21<sup>st</sup> March 2022