

<b>Scrutiny Meeting</b>	
<b>Meeting Date</b>	24 <sup>th</sup> November 2020
<b>Report Title</b>	Establishment of Local Housing Company (LHC) – Scrutiny Call in
<b>Cabinet Member</b>	Cllr Ben Martin, Cabinet Member for Housing
<b>SMT Lead</b>	Charlotte Hudson, Head of Housing, Economy and Community Services
<b>Head of Service</b>	Charlotte Hudson, Head of Housing, Economy and Community Services
<b>Lead Officer</b>	Charlotte Hudson, Head of Housing, Economy and Community Services
<b>Key Decision</b>	Yes
<b>Classification</b>	<b>Open / Restricted Appendix.</b>
<b>Recommendations</b>	1. Scrutiny note the additional information provided in this report and the Cabinet report of 28 <sup>th</sup> October 2020.

## **1 Purpose of Report and Executive Summary**

- 1.1 This report provides Scrutiny with an initial response to the reasons for call-in in relation to the creation of Swale LHC and resolutions made by Cabinet on 28th October 2020.

## **2 Background**

- 2.1 Cabinet resolved at the meeting of 28<sup>th</sup> October to form a LHC in Swale and to provide funding based upon the initial business plan to develop out 3 sites in Sittingbourne. The full details of the Cabinet decision can be found within the Cabinet report and shown in the accompanying copy of the Cabinet report.
- 2.2 A call-in has been made by the Chair of the Scrutiny Committee for the following reasons:
- Financial implications for the Council and wider taxpayer
  - Consideration of loss of parking facilities and income.
  - Opportunity for councillors to discuss the proposal and understand the basis for the decision.
  - Query of the status around the business case.
  - Understanding the composition of the company and lifespan of the company.

- 2.3 The Cabinet report sets-out the financial implications in relation to the LHC and included a statement from the S.151 officer on his position. This LHC and the initial project outlined in the business plan provides a position of being self-financing through the rental model which will cover operating costs and debt repayment and therefore does not have negative financial implications for the Council or wider tax payer.
- 2.4 In relation to the direct loss of income from parking from Cockleshell Walk, the reprovision of carparking was considered as part of the Spirit of Sittingbourne scheme and the business case for the development of the Multi-Storey Carpark (MSCP). Therefore, currently there is overprovision and therefore the income will be transferred and make the MSCP more viable. Under these proposals the Spring Street Carpark will be retained and is a key commuter carpark. The rental income from Fountain Street for £10,500 was already accounted for in the 20/21 budget. The Old Bus depot site was bought speculatively several years ago with no firm plans on its use. It has been subject to a short-term lease which generates a rent of £23k p.a. The income from this site was deemed a short-term windfall until the strategic benefit of the land could be maximised.
- 2.5 We note that members want to discuss the decision in more detail to understand the full details of the proposals. We have arranged for Steve Partridge and Simon Smith from Savills to attend to respond to your detailed questions in relation to the financial model and business case.
- 2.6 The Scrutiny Call-in states “the blue paper suggests that a business case could be made but what has been presented and agreed by cabinet is suggested as a business case”. The business case in Appendix I of the Cabinet report, provides a proposal for Cabinet to decide if this is the approach that they wanted to take, based upon modelling undertaken by the consultants. Cabinet having considered the proposals have agreed to adopt the business case as their initial project. Clearly more work needs to be done to progress the development (as would be normal practice) and the business case provides the framework and assumptions that are required to be met by the LHC.
- 2.7 The final reason for call-in relates to the formation of the company, appointment of directors and lifespan of the company. The Cabinet report of 28th October sets out the legal reasons for forming a company rather than using the natural power the Council has in relation to developing housing from the general fund or a re-opened Housing Revenue Account (HRA). As the decision has been made to form a company it is required to appoint directors. The directors are appointed by the Shareholders (The Council) and therefore they will have to be current elected members or officers of the Council. There is also an option for independent individuals to be appointed to the company but again this is the responsibility of the Shareholder (The Council). In terms

of lifespan, the intention is that this is a key strand of affordable housing delivery in Swale now and in the future.

### **3. Proposals**

- 3.1 Scrutiny note the additional information provided in this report and the Cabinet report of 28<sup>th</sup> October.

### **4 Alternative Options**

- 4.1 N/A

### **5 Consultation Undertaken or Proposed**

- 5.1 Research has been undertaken in relation to LHC and with other authorities who have an active LHC and advice taken from Savills and Trowers and Hamlin LLP.

### **6 Implications**

<b>Issue</b>	<b>Implications</b>
Corporate Plan	The increase of affordable housing in the borough supports priorities within the Local Plan.
Financial, Resource and Property	The financial implications are set out in the main Cabinet report.
Legal, Statutory and Procurement	Legal advice has been received from Trowers and Hamlin LLP in relation to the creation of a LHC and the main legal considerations are set out in the main body of the report. Localism Act General Power of Competence provides the legislative framework for the Council to create a LHA as set out in the main body of the report.
Crime and Disorder	None identified at this stage.
Environment and Sustainability	Modelling has taken into consideration energy efficiency requirements.
Health and Wellbeing	None identified at this stage.
Risk Management and Health and Safety	The business plan includes a risk plan for the LHC and initial development programme.
Equality and Diversity	None identified at this stage.

Privacy and Data Protection	None identified at this stage.
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## **7 Appendices**

7.1 None

## **8 Background Papers**

Cabinet Report March 2020 on Affordable Housing -  
<http://10.201.65.162/documents/s14201/Cabinet%20180320%20-%20Affordable%20Housing.pdf>

Cabinet Report November 2020 on Local Housing Company –  
<http://10.201.65.162/documents/s15672/Cabinet%20Report%20LHC%201020%20DRAFT%20for%20IC.pdf>