

Appendix A

REPORT TO: CABINET

DATE: 6 DECEMBER 2018

TITLE: CREATION OF HTS (HOUSING AND REGENERATION) COMPANY

PORTFOLIO HOLDERS: COUNCILLOR MARK INGALL, LEADER OF THE COUNCIL
COUNCILLOR MARK WILKINSON, DEPUTY LEADER AND PORTFOLIO HOLDER FOR HOUSING

LEAD OFFICER: BRIAN KEANE, MANAGING DIRECTOR
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This is a Key Decision
It is on the Forward Plan as Decision Number I009377
Call-in Procedures may apply
This decision will affect no ward specifically.

RECOMMENDED that Cabinet:

- A** Notes the draft Business Plan for HTS (Housing and Regeneration) Ltd attached as Appendix A to the report.
- B** Approves the revised terms of reference for the Shareholder Sub Committee attached as Appendix B to the report.
- C** Agrees the proposed pipeline of house building sites for commencement utilising RTB receipts and other funding attached as Appendix C to the report.
- D** Delegates authority to the Managing Director, in consultation with the Leader of the Council, to complete all necessary financial formalities to progress the above.

REASON FOR DECISION

- A** The report sets out details of the progress made in the establishment of the Council's housing and regeneration company and seeks cabinet approval to enable the development of the company and its governance to be further progressed.

BACKGROUND

1. In June 2018, Cabinet resolved that a wholly owned subsidiary of HTS Group be established to undertake housing and regeneration projects and that all necessary legal and financial formalities to progress this initiative be completed.
2. HTS (Housing and Regeneration) Ltd was incorporated on 3 August 2018, with Company Registration Number 11499394. The establishment of a new housing and regeneration company is the next step in the development of the wider council owned trading group.
3. To support the incorporation of the Company, draft articles and a scheme of delegation have now been drafted. These are bespoke to the company and utilise a Teckal model in the same way as the establishment of HTS (Property and Environment) Ltd was carried out. The documents detail the governance structure including the Company Board, Board of holding company HTS Group Ltd and the Shareholder Sub Committee.
4. Changes to the HTS (Property and Environment) Ltd Business Plan were made in July 2018, in line with the Cabinet decision. This broadened its scope of activities which allowed it to submit business cases for new build and refurbishment of housing properties, including the schemes identified for 2018/19 within that report.
5. Cabinet also resolved that the Council undertake a further programme of building council houses and that a financial modelling scheme would be selected and purchased to assist with the Council's housing development processes.
6. Software to facilitate detailed financial appraisals on identified housing and regeneration sites, including exploring financial resourcing, sensitivity analysis of commercial viability, and the potential use of currently retained Right to Buy (RTB) receipts in support of the overall housing delivery has been purchased by the Council.
7. The software toolkit supports the necessary viability studies and provides a platform to fully appraise and manage potential developments. An Officer task group has been established including representatives from Housing, Properties and Estates, Regeneration and Finance to jointly appraise options for the utilisation of land and property assets. This was to enable the Council's housing and regeneration objectives to be achieved, whilst also considering the wider impacts of any proposed development activity on the local community and economy.

ISSUES/PROPOSALS

HTS (Housing and Regeneration) Ltd

8. Alongside the draft Articles and Scheme of Delegation for HTS (Housing and Regeneration) Ltd, a Business Plan is required to be approved before the

company can commence trading. A draft Business Plan has been prepared and is attached to this report as Appendix A. The Plan sets out the objectives of the business and how they will be achieved, including a mechanism for awarding works whilst demonstrating best value. This is through use of a business case process which mirrors that of HTS (Property and Environment) Ltd.

9. Agreement of the Plan will prepare the Company to trade and this is currently anticipated to commence at the point when viable schemes suitable for delivery through the Company are identified. It is recommended that the Plan is noted in its current form in anticipation of viable schemes being brought to Cabinet for approval for delivery via the Company, in line with a finalised Business Plan at that stage.
10. Appointment of Directors to the Board for HTS (Housing and Regeneration) Ltd is required at the point when viable schemes are identified for delivery with the company board being the conduit through which schemes are presented, in line with scheme of delegation, with detailed project plans agreed on a scheme by scheme basis. Directors will be appointed to the Board in line with June 2018 report to Cabinet.
11. In reviewing current board structures within the Group and their relationships with each other, the Shareholder Sub Committee terms of reference have been revised to reflect that the Shareholder now owns two teckal companies. References to mobilisation activities as required for transition from the Joint Venture Company to Local Authority Trading Company model for HTS (Property and Environment) Ltd have also been redrafted to reflect the Shareholder's strategic oversight over key operational decisions for its companies. The new terms of reference recommended for approval are attached as Appendix B to the report.

Building New Council Housing

12. A further programme of house building has been identified by the task group, utilising the viability software and considering best use of retained RTB receipts. Planning permission for three schemes at The Readings, Bushey Croft and Lister House has already been granted. The potential pipeline of building projects is shown at Appendix C to this report.
13. It is recommended that the pipeline of projects is approved to enable Officers to better plan for both their delivery and for the retention of RTB receipts in line with current Government requirements. This will allow for the forward planning of schemes and for the viability assessments to be carried out at an early stage with full project management then being applied with procurement and appropriate specialist advisors to be engaged to properly mobilise each scheme. To enable the pipeline to be developed in to deliverable schemes it is proposed that the Officer task group will assume the responsibility for the development and delivery of each scheme subject to the in principle approval of Cabinet.

IMPLICATIONS

Place (Includes Sustainability)

The company can contribute towards the Council's objectives of increasing housing supply, creating a wider choice of housing and delivering the Local Plan. Each site will be required to secure planning consent and there is also an opportunity for the company to utilise the Council's Building Control services in the delivery of its projects.

Author: Andrew Bramidge, Project Director – Enterprise Zone and Interim Head of Planning on behalf of Graeme Bloomer, Head of Place

Finance (Includes ICT)

There are no specific financial implications at this stage of the development of the Company.

Author: Simon Freeman, Head of Finance

Housing

As contained within the report.

Author: Andrew Murray, Head of Housing

Community Wellbeing (Includes Equalities and Social Inclusion)

As contained within the report.

Author: Jane Greer, Head of Community Wellbeing

Governance (Includes HR)

The report ensures that the Council complies with Regulation 2 of The Local Government (Best Value Authorities (Power to Trade) (England) Order 2009 through the approval of the business plan prior to trading. The Council has a public sector equality duty (Equality Act 2010 s149) to effectively minimise disadvantage to people who share protected characteristics. This proposal positively supports the duty by seeking to improve the provision of Council housing increasing the availability of decent accommodation for those qualifying for such assistance.

Author: Colleen O'Boyle, Interim Head of Governance

Appendices

Appendix A – HTS (Housing and Regeneration) Ltd Draft Business Plan

Appendix B – Revised Shareholder Sub Committee Terms of Reference

Appendix C – Pipeline of Building Projects

Background Papers

None.

Glossary of terms/abbreviations used

RTB – Right to Buy