

Southend-on-Sea Borough Council

Agenda
Item No.

Report of Chief Executive

to
Cabinet

on
20th June 2017

Report prepared by: Joe Chesterton
Director of Finance and Resources

Establishment and Implementation of a Housing Investment Company

Policy & Resources Scrutiny Committee
Executive Councillors: Councillor Lamb and Councillor Flewitt
Part 1 (Public Agenda Item)

1. Purpose of Report

- 1.1 To set out the key considerations and high level business case for establishing a Housing Investment Company (HIC) for the Council.
- 1.2 To set out the Implementation Plan to establish the new HIC.

2. Recommendations

That Cabinet approve;

- 2.1 The establishment of a Council controlled, asset holding Housing Investment Company.
- 2.2 The key actions within the Implementation Plan,
- 2.3 External financial and legal advice is sought to support the key actions within the Implementation plan to ensure its timely delivery and that this one off cost is funded from the Councils contingency budget.

3. Background

- 3.1 Southend-on-Sea Borough Council (the Council) has an ambitious but achievable plan to develop new Council housing for social and affordable rent, and, where possible, use its Housing Revenue Account (HRA) borrowing headroom, Right to Buy (RtB) receipts and unrestricted Section 106 affordable housing receipts to facilitate this new development.
- 3.2 The Council has also been examining options to develop new private and affordable housing to be managed and retained outside of the HRA, in line with a growing trend amongst Local Authorities.

- 3.3 As part of this Members and officers have been considering whether the establishment of a Council owned housing investment company (HIC) in Southend should be pursued.
- 3.4 These considerations mirror the national picture where it is estimated that around a third of English Councils have set up, or are considering setting up, Local Housing Companies (LHC), i.e. 98 out of 252 local authorities¹ 36 of these companies have been set up in the past year.
- 3.5 Councils are establishing LHCs to build and/or acquire additional homes where local housing needs or regeneration aims are not being met by the market. The newly produced homes are being used for a mixture of tenure types including outright sale, private rent and a mix including shared ownership and affordable rent. Any income generated typically goes into the General Fund and in some cases, is used to tackle homelessness.
- 3.6 This agenda has been acknowledged nationally as shown by the Local Government Association pushing for more direct delivery by Councils and the Housing Minister stating in December 2016, that central government has “no problems at all” with Councils establishing companies to build new homes.
- 3.7 There are seen to be a number of drivers behind the increased number of LHCs being established and these include being able to meet increasing local housing need (as owner, the Council can set rents and allocation policies), area regeneration, long-term financial sustainability, place-shaping and local economic growth. Each of these drivers would, or could, apply to Southend.
- 3.8 The Council has a clear policy objective focusing on the regeneration of Southend-on-Sea, as well as targeting improvements in the local economy, and meeting the growing demand for a suitable mix of affordable and market housing tenures to match local need.
- 3.9 In addition, the Council has a range of sites within its ownership and is keen to utilise those that are surplus, as well as potentially acquiring new ones, to develop a range of housing tenures using an HIC.
- 3.10 The Council has already received some general advice on the potential options to achieve its envisaged new build programme, and has explored a number of solutions to its housing agenda.
- 3.11 This report sets out, at a high level, the business case for the establishment of an HIC that will seek to manage and retain private and affordable housing outside of the HRA, throughout this report known as the HIC.
- 3.12 The report covers the following areas:
- The key objectives that will underpin the operations of the HIC;
 - The Housing need being addressed by the new company;
 - The Legal powers to act, including changes to policy and regulatory frameworks, and those powers that could ensure any private and affordable

¹ Inside Housing, 9 December 2016

units can be properly accounted for outside of the HRA, this section also includes some case study examples;

- Governance, delivery (and ongoing management) structures that could be utilised to meet the Council's overarching aspirations including:
 - the use of an HIC, including using the Company Limited by Shares (CLS) Southend Housing Ltd incorporated on 16th May 2016 and already owned by the Council or another wholly owned company aligned to the General Fund; and
 - the aspirations of the Council to address specific market needs.
- Commentary on the potential structures considered including the key characteristics of each and a recommendation of a preferred solution to be taken forward;
- Funding of the HIC, including consideration of Equity and Debt options; and
- Conclusion and Implementation Plan for the new HIC.

4. Objectives of the HIC

- 4.1 One of the key priorities of the Council is to build new affordable homes to meet a range of local housing needs. To enable this ambition, it has established a "twin-track" approach in which it will develop housing directly in the Housing Revenue Account (HRA) and separately outside of the HRA in another entity.
- 4.2 The HRA self-financing rules enable councils to raise debt within the HRA up to a level set by the self-financing settlements in 2012. The amount of this 'borrowing headroom' varies between councils, but a number have been quick to take up these new flexibilities and are delivering in-fill and small-scale developments on under-used sites within their HRA estate.
- 4.3 This small-scale development allows the Council to manage its risks across the whole portfolio, borrowing small amounts within the HRA while maintaining sufficient headroom to manage future risks and unforeseen events.
- 4.4 It can mean that the Council plays a part in delivering mixed tenure developments including private sector units to generate cross subsidy to support delivery and deliver balanced communities. The Council is already assessing how it can regenerate the Queensway Estate along these lines, although through a partnership approach.
- 4.5 However, a number of authorities, including the Council, do not have sufficient borrowing headroom within their HRA to address all their housing priorities, and are looking at how it can develop new housing outside of the HRA, but still for the good of local people.
- 4.6 The most common approach is the creation of a 100% council owned subsidiary or local housing development/holding company, an HIC.
- 4.7 In 2016, the Council set up a CLS, called Southend Housing Ltd, to start the process of meeting a perceived market failure within the borough and

accelerate the delivery of residential stock that most accurately reflected the needs of the borough.

4.8 The Council, through its ambitious housing delivery programme, is proposing the delivery of significant private for sale and private and affordable rent units over the next 10 years. The Council has identified that an HIC is the most appropriate ownership structure for this stock.

4.9 In addition, research has identified several wider objectives and considerations that must be considered in light of the Council's current governance structure:

- The Council is experiencing significant cost pressures in delivering Temporary Accommodation and Adult and Children Services in private sector accommodation. It is looking at opportunities to create additional housing options that could be used to reduce the costs of this service, whilst increasing the overall quality of the provision.
- The Council's overall stock levels are being eroded through the Right to Buy (RtB) initiative. Without replacement with income bearing assets the long-term investment requirements and sustainability of the current HRA is in doubt.
- In addition, the Council is keen to assess opportunities for using the associated retained RtB receipts to deliver a range of affordable units rather than relinquish the use of this resource to central government. It is currently estimated that the Council generates approximately £1m p.a. usable receipts through the RtB process and has approximately £6m on the balance sheet to apply to relevant schemes.
- Recognising future initiatives through the Housing Act, the Council is keen to provide a platform whereby, if appropriate, the financial benefits of these units are not lost.
- There is approximately £800k of s106 income on the Council's balance sheet that could be used for delivering affordable housing on sites within the Borough. This money must be spent in accordance with the clauses of the s106 Agreements and must also be policy compliant. Additionally the Council is now in receipt of Community Infrastructure Levy (CIL) monies (circa £300k to date) that could also be applied under the CIL conditions.
- The Council has the capability where appropriate to on-lend resource to enable the delivery of affordable housing.

4.10 Recognising these points, this report now assesses how best to meet these wide ranging objectives and proposes a structure/entity that could be applied to meet its needs.

5. Housing Need

5.1 This section sets out a number of housing needs that could be addressed by the successful implementation of an HIC, rather than the use of more traditional routes, these include:

- Housing that meets the needs of the community and provides a diverse range of affordable rented tenures alongside a diversification of private rented and private sale units. By the Council taking a role in this development it can directly address this need. This can only be achieved in an integrated way through an external company;
- Potential to address significant demand for Temporary Accommodation and Adult Placements properties as part of this diversified offer, this is a General Fund requirement rather than HRA; and
- Utilising the development of mixed tenure housing to further the Council's "Place Shaping" and Regeneration objectives.

- 5.2 There is an increasing local housing need in Southend, especially in terms of homelessness applications. This has seen the Council's temporary accommodation hostels becoming virtually full and without some controlled use of empty properties in the Queensway tower blocks it is very likely the Council would have had to seek temporary accommodation in the private sector by now. The Council has an impressive track record over many years of not resorting to the use of bed and breakfast accommodation as a means of discharging statutory duties around homelessness. However, continued additional pressure on the system will make this position increasingly difficult to maintain. Additionally, any increase in the number of permanent tenancies let to homeless families leads to a consequential reduction in the ability for existing tenants to transfer to alternative accommodation and can lead to a degree of 'silting up'.
- 5.3 Increasingly the Council has found it difficult if not impossible to direct homeless applicants into the private rented sector as landlords can, and are now choosing to, exclude new tenants who are in receipt of welfare benefits.
- 5.4 In addition, the Strategic Housing Market Assessment has highlighted a need for more mid-tier private sale and rented housing to address a perceived gap in the market.
- 5.5 Give the continuing pressure on Council finances, any initiative which holds the potential to avoid further pressure, e.g. avoid use of B&B, or even contribute to the General Fund, e.g. interest charges on loans to acquire property, rental and/or sale surpluses, should be considered.
- 5.6 HIC can play an active role in 'place making' i.e. focus their investment into areas in need of regeneration and improved standards in the existing private rented sector and also by providing accommodation for groups of people who might otherwise struggle to access accommodation. A focussed acquisition strategy might also avoid other local authorities taking a similar approach outside of their own area e.g. London Borough Councils buying property in Southend.
- 5.7 The above issues represent some of the reasons why there has been an increase in the number of Councils setting up LHCs.

6. Legal Powers to Act

6.1 In order to take forward the HIC proposal it is first essential to review the potential powers of the Council to act in this area, specifically, to undertake the development of private and affordable housing outside the HRA.

6.2 Appendix A to this report provides this analysis and concludes that the Council does have the powers to undertake development in these areas in line with various sections of

- Housing Act 1985;
- Localism Act 2011;
- Local Government Act 2003;
- Local Government (Best Value Authorities) (Power to Trade) (England) Order 2009; and
- Local Government and Housing Act 2009

6.3 The below table shows some case study examples of housing companies currently operational that have been established using these powers.

| Case Studies |
|--|
| <p>London Borough of Barking and Dagenham – Reside</p> <ul style="list-style-type: none">• c800 new affordable homes at no capital cost;• Wider housing choice for residents through 50%, 65% and 80% tenures and shared ownership;• Allocations and all housing management can be provided by Council or a third party;• Lease structures can collapse at end of funding term with full ownership reverting to LBBD; and• Direct and third party funding flexibility |
| <p>Thurrock borough Council – Glorianna</p> <ul style="list-style-type: none">• Established in 2014/15 with a Business Case for 350 homes;• Operates alongside our AHP, JVs and other GF activity – it is not the only show in town;• One project on site – St Chads in Tilbury. First of 128 new homes completed in October 2016;• Second project in planning – 80 units in Grays;• Pipeline is growing. Two further sites in feasibility which could deliver a further 300 units; and• c.£50m currently deployed - anticipated return (debt and equity) is c.£18m. |

Case Studies

South Norfolk District Council – Big Sky Developments

- Council had surplus land with good development potential;
- Commercial purpose = through a company;
- Position on RtB for retained properties;
- Limit the Council's liability;
- Distinct brand and offering –not Council Housing; and
- Create ongoing revenue stream -sales and rental.

Eastbourne Borough Council – Eastbourne Housing Investment Company (EHIC)

Similar position to Southend:

- Existing Council stock of c. 6,500 properties in a seaside location
- Increasing homelessness problem
- Cutting off of access to private rented accommodation for people receiving welfare benefit
- Long standing relationship with own housing ALMO.

Characteristics of the model

- Council controlled company
- EHIC owns all residential properties developed, outside HRA
- EHIC has no direct employees, all services provided by ALMO
- ALMO invested in the establishment of a regeneration team to support and deliver the Council's and EHIC's objectives.
- EHIC objectives are Income Generation, Housing Delivery and Place Making.
- Objectives make it clear that it is not simply re-creating the Council's HRA

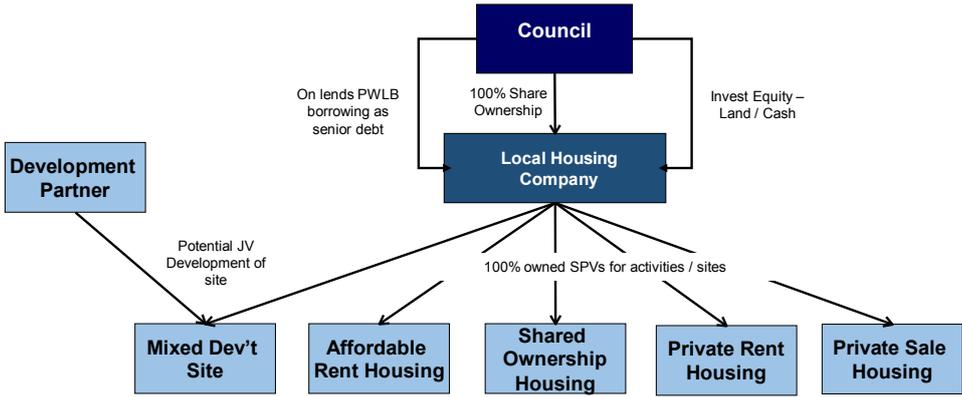
Activities include:

- Developing new homes on Council owned sites
- Acquires and regenerates existing poor quality housing
- Acquires mixed retail and residential sites and regenerates them
- Plans to develop 'high end housing for the elderly' in direct competition with McCarthy and Stone etc.
- Council loans to the LHC to purchase existing market properties for direct use to accommodate homeless families.

7. Structure of the Company

- 7.1 This section on delivery structures sets out the key features of delivery through a 100% local authority HIC; the implications of different forms of company structure and approaches to governance.
- 7.2 The diagram below illustrates how many Councils are considering the structure of a 100% owned subsidiary as a Parent Company, with individual project subsidiaries (SPVs) of the Parent Company set up as required.

Illustrative Structure for a SPV



- 7.3 This approach provides a Council the flexibility to create further SPVs (e.g. SPVs and HoldCos) as projects arise whilst consolidating the activities in to their accounts and maintaining overall control through a Parent Company.
- 7.4 For instance, the Company may wish to separate its development and holding arms within different companies as these have different risk profiles. In addition, the Council may wish to consider whether affordable and private rental units are treated separately as these will/could have different tax structures.
- 7.5 Each project will have its own business plan so that individual project viability and risk can be transparently managed with no potential of "cross-contamination" from other projects in other SPVs. It also enables each of the SPVs to seek individual funding solutions to suit their objectives, as these may vary depending on the nature of the project. Funding options are considered in more detail in Section 11.
- 7.6 In addition, by having the Parent Company, the Council is able to use any revenues flowing in to this entity to support less viable projects should it wish. However, many Council are looking at such opportunities as commercial entities and therefore each scheme is expected to produce a positive financial return.
- 7.7 In the diagram above, the private rent SPV for example could be required to deliver residential units and meets its financing and operational costs through its rental and service charge income. Management and maintenance services could be provided through the Council under a management contract, but the Council may also wish to consider other providers for all or part of the service e.g. commercial agents that may be better placed for tenant finding in market rented properties.

- 7.8 There may also be taxable benefits from the Council separating these services, with recoverable VAT not locked within the structure.
- 7.9 The company structure is created as a stand-alone company and outside of the General Fund and HRA. As a result, new tenancies created for housing are not restricted to the secure tenancies offered under the HRA, with the entity able to offer assured tenancies, probably shorthold ("AST's").
- 7.10 There are a number of differences between the two tenancy types but a key difference is that under an AST, tenants will not automatically have a "Right to Buy" (RtB) which is provided under a secure council tenancy. For the purposes of this paper the assumption is that any company incorporated by the Council will NOT be registered as a Registered Provider of affordable housing and receive social housing grant from HCA. If that were the case then the "Right to Acquire" (RtA) would be likely to arise which is broadly comparable to the RtB.
- 7.11 Whilst in theory RtB could be offered as an additional contractual right to council tenants moving into the new stock, in practice this would create potential deficits within the SPV's business plan by decreasing the revenue stream (through the loss of rent income) and a reduction in capital value.

8. Legal Structure

- 8.1 A company limited by shares is the most common form of company and mirrors the Council's current dormant company structure. A company limited by shares has share capital and the liability of its shareholders (with one or two exceptions around insolvency) is limited to the amount contributed (or liable to contribute) by way of share capital. It distributes profit by way of dividends and has the flexibility (subject to the Company's articles) to admit new shareholders (by way of the issue of new shares or the transfer of existing shares).
- 8.2 A Limited Liability Partnership (LLP) is an alternative structure which shares certain similar features with a company limited by shares. Whilst it does not have share capital it has a similar concept of member's capital. It is much more flexible in its statutory regulation and has much more flexibility around management. A partnership agreement governs the relationship between the partners. Profits are distributed by reference to the partners profit share arrangements in the Partnership Agreement. The main benefit of an LLP for a local authority is that it is tax transparent and therefore offers a preferable corporation tax position for the Council.
- 8.3 However, the powers for the Council to use a LLP are more limited. In recent examples the primary purpose for creating a LLP has usually been other than the commercial purpose, e.g. the carrying out of a regeneration project without the intent to enter the commercial market. In addition, the nature of LLP as a partnership necessarily means there will need to be at least two partners. Therefore, the Council would need to incorporate a separate wholly owned company to be the second partner.
- 8.4 In this instance, the primary purpose of the SPV is balanced between the provision of new housing, including affordable housing, and the generation of a profit for its shareholders (the Council). Its core purpose could not be said to be

"regeneration" and so the use of an LLP is unlikely to be appropriate in these circumstances.

- 8.5 It has therefore been assumed that the HIC will be a company limited by shares. Whilst it is noted that a similar approach has been applied in other emerging examples in the market the Council will obtain legal advice on this matter as part of the implementation programme detailed in Section 12 to ensure it is set up appropriately.

9. Governance

- 9.1 The Council has considered the level of accountability and governance arrangements to be put in place between the Council and the HIC, particularly but not exclusively, in relation to the accountability for public sector investment and/or loans to the HIC and the risks to public sector funded assets and potential public sector liabilities arising from company activities. Appendix B contains the key considerations that have underpinned this assessment.
- 9.2 The establishment of the governance structure is one of the first items on the implementation plan detailed in Section 12, along with establishing the key governance documents, including the shareholders' agreement and HIC business plan.
- 9.3 It is anticipated that the HIC would be managed by officers with the potential for the addition of Non – Executive Directors. The resultant structure would mean that the Council would then act as the 100% shareholder.

10. Other considerations

- 10.1 There are a number of wider considerations that will form the workstreams of the Council in setting up the HIC, some of the key elements are listed below, and are further elaborated on in Appendix C. These have been built in to the Implementation Plan in Section 12. Consideration include:
- State Aid
 - Future changes in legislation
 - Legal challenge of tenants
 - Considerations about Local Authority Land
 - Key operational considerations, including:
 - Management Structure of the Company
 - Responsibility for the management and maintenance services required for the properties;
 - Influence of the Council in the operation of the Company;
 - Management of the records of the Company;
 - Staff structure;

- Contractual relationship with external suppliers;
- Flow of funds between the Company and the Council; and
- Use of surpluses within the company.
- Key Risks and mitigation

11. Funding

Prudential borrowing

- 11.1 Using powers set out in the Prudential Code, the Council can borrow from the Public Works Loan Board (PWLB), and provide, through a loan, finance to the HIC.
- 11.2 As stated the Council must ensure that any loan is made on commercial rates and terms, as it must be satisfied that its on-lending does not constitute a breach of State Aid legislation i.e. that it does not provide an unfair advantage to the HIC by offering loan finance at a lower interest rate or on better terms than would be secured by commercial competitors.
- 11.3 In practice, any loan provided to the entity will be at a margin to the PWLB rate at which the Council borrows. This margin represents the additional risk taken by the Council as a lender and would provide a return to the General Fund for this risk.
- 11.4 The Council will need to consider the HIC's business model and its ability to meet loan repayments from the returns generated by its business activities once it has taken account of all relevant operating costs before granting any loan.

Equity

- 11.5 The Council will provide equity investment in the HIC through owning all of the share capital and investing its land holdings as equity into the vehicle.
- 11.6 When making an equity stake into a separate entity, local authorities have looked to source finance for this type of transaction through internal borrowing. However, the business case for this must be clear about the risks to this equity stake and the timing of any cash returns from the entity.
- 11.7 There is also an option at any point to adjust the gearing of the funding and for the Council to provide an equity injection. A starting assumption is that the SPV. is 80%/20% debt/equity funded but during its set up the Council may wish to test other scenarios in which the Council invests more equity to improve viability.

Grant

- 11.8 The Council may consider providing grant to the HIC from funds available from S106 contributions, its Community Infrastructure Levy or the New Homes

Bonus. Grant funding must be below the EU de-minimis levels² or focussed on an EU Block Exemption area, to reduce the risk of State Aid challenge.

- 11.9 However, grant funding is a relatively tax inefficient source of funds as it is likely to be treated as taxable income and thereby be considered an additional expense in the entity.

Right to Buy Receipts

- 11.10 The Council has the powers to use RtB receipts to provide affordable housing within its HRA. It is also allowed to passport any RtB receipt to a third party, not under the Council's direct control or influence, to be used to cover allowable costs in the construction of affordable units. This generally means passporting these amounts to Registered Providers.

- 11.11 However, the Council may wish to consider the use of structures that place affordable units outside their control to facilitate the use of these monies. This will be considered subsequent to the initial HIC being set up.

General points to note

- 11.12 The Council will adjust its Capital Financing Requirement for the purposes of the minimum revenue provision calculation as the loan is due to be repaid by the HIC. The Council is therefore not liable for capital and interest payments on the debt taken out to fund the loan and they are covered by the HIC.

- 11.13 As the Council does not bear any borrowing costs then no MRP is required. The Council will however include reference to the long-term debtor in the MRP statement and refer to the exclusion for MRP purpose because of the debt repayment will be covered by the HIC to ensure this is clear. This would mean that there is no charge liable on the Council's Income and Expenditure Account.

12. Conclusion and Next Steps

- 12.1 This report has addressed the key objectives of the Council in terms of its aspirations regarding ensuring a range of private and affordable housing tenure is available to the residents of the borough.

- 12.2 The HIC is a model that provides the Council with a direct input into the wider opportunities to use its resources and enable a product that meets the boroughs varied needs.

- 12.3 The report recommends that the Council's existing dormant Company Limited by Shares, Southend Housing Ltd, is used to establish the HIC. If this recommendation is accepted, then the HIC should move to the implementation phase. In the table below is the suggested implementation plan for the HIC.

² Di-minimis are granted on a per group company basis over a 3 year period. Current levels are defined as follows:
"The European Commission monitors and controls state aid in the EU by requiring member states to notify the Commission in advance of proposed state aid in order to ensure compliance. There are a few exceptions to the notification requirement, namely if your measure falls within the de minimis regulation i.e. you are giving less than 200,000 euros over 3 fiscal years"
[<https://www.gov.uk/state-aid>]

The implementation plan identifies an approximate 5 month schedule of work that will be required to establish a fully operational, legally and financially compliant HIC.

Assuming that Cabinet and Council approval is received in this current cycle and that the required external advisors are in place then the timeline indicates the establishment of a HIC could be some 5 months on from this stage and therefore by the end of this calendar year assuming that all the areas within the implementation plan do not encounter any difficulties.

| Implementation Plan | |
|--|--|
| Task | Timescale |
| Strategic | |
| Obtain Cabinet approval to establish HIC | Immediate |
| Develop and agree formal Vision, Strategic and Operational Objectives for the HIC, as well as a branding. | Within 1.5 months |
| Develop and agree governance structure for the HIC, including governance arrangements within the Council, within the HIC and between the two. | Within 1.5 months |
| Sites | |
| Review asset register and asset management strategy to identify a list of surplus sites to be developed through the HIC. Agree timeline for transfer and prioritisation of assets to underpin the business plan | Within 2 months |
| Business Plan | |
| Develop a detailed business plan that assesses the costs and incomes associated with the activities of the HIC. This would include the need to understand in financial terms how the funds would flow between the Council and the HIC. | In conjunction with Business Plan Within 4 months |
| Development of risk register, including detailed mitigation strategies | In conjunction with Business Plan Within 4 months |
| Financial | |
| Develop funding strategy for the HIC, including balance of equity and loan funding | In conjunction with Business Plan Within 4 months |

| Implementation Plan | |
|---|--|
| Task | Timescale |
| Review tax efficiency of structure and obtain tax opinion on the arrangements | In conjunction with Business Plan Within 4 months |
| Obtain financial advice on the appropriate terms for any loan arrangement between the Council and the HIC. | In conjunction with Business Plan Within 4 months |
| Legal Advice | |
| Formal legal advice procured to finalise the legal structure and draft legal documentation. This would include articles of association, loan agreement, state aid position and nomination agreement for the affordable units. | 4 to 5 months |
| Advice on the approach to land transfer into the HIC and from the Council's HRA, as appropriate. | In conjunction with Business Plan Within 4 months |
| Resourcing | |
| Develop resourcing plan for the company, including an assessment of seconded staff time, direct employees, services purchased from third parties and senior governance structure. This is to include responsibility for the management and maintenance services required for the properties. | In conjunction with Business Plan Within 4 months |
| Consider potential to partner with external organisations for individual sites / groups of sites, such as a registered provider | Ongoing |

13. Corporate Implications

13.1 Contribution to Council's Vision & Corporate Priorities

The establishment of the HIC will contribute to a number of the Council's Corporate Priorities.

13.2 Financial Implications

The financial issues for a HIC are discussed throughout the report and appendices, however, it is worth pointing out that the establishment of the HIC should enable a cost avoidance on the Council's housing budget whilst also generate an annual rental income stream to the Council. Both of these would be assessed as part of the implementation plan stage and also as part of each new project validation going through the new company.

The funding for the HIC could come from a variety of sources but not least the Council using prudential borrowing and also its own equity in the form of assets and internal borrowing to finance the companies operations.

To enable the timely delivery of the implementation plan will require the use of external advisers for both legal and finance issues. Additionally, the advice provided will be to ensure that a financially and legal compliant HIC is established. It is anticipated that the cost of this advice will be in the order of £50k and can be met from the Council's contingency budget.

13.3 Legal Implications

The legal implications are fully set out in the report and in Appendix A.

13.4 People Implications

Staffing for the HIC will be addressed as part of the implementation plan.

13.5 Property Implications

Various Council owned assets could be viable for inclusion in the HIC but would need to be carefully considered as part of the overall business plan and individual project assessments.

13.6 Risk Assessment

The risks of establishing a 100% Council controlled HIC are fully set out in the report and also in Appendix C.

13.7 Value for Money

The potential for cost avoidance in the housing budget and for an on-going annual rental income stream will generate the necessary value for money with the proposals in this report.

14. Background Papers

Various literature and media coverage on LHC's

15. Appendices

Appendix A – Legal Powers to establish the HIC

Appendix B – Governance Considerations

Appendix C – Other Considerations

