

REPORT TITLE: ESTABLISHING THE WINCHESTER HOUSING COMPANY

18 SEPTEMBER 2019

REPORT OF PORTFOLIO HOLDER: Cabinet Member for Housing and Asset Management – Cllr. Kelsie Learney

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WARD(S): ALL

PURPOSE

This report seeks approval for the establishment of a wholly owned housing company to deliver:

- Units for sub-market rent let on non-secure tenancies
- Shared ownership accommodation
- And where required, the sale of units for open market sale.

It is envisaged that the company will be incorporated in October 2019. It will function as an ethical landlord, providing a more secure offer than the private rented sector currently delivers.

It should be noted that potential housing company developments will be individually assessed on their financial viability and suitability; and that the primary focus will remain on delivering affordable/social rented units through the Housing Revenue Account (HRA), which affords significant efficiencies.

RECOMMENDATIONS:

To Cabinet:

1. That the appointment of three senior officers to the Board of Directors be approved:
  - a) Strategic Director – Place

- b) Corporate Head of Housing
- c) Housing Finance & Resources Manager.

2. That the approval process for housing company development opportunities be approved; with authority to agree Terms of Reference for the Housing New Build Panel delegated to the Corporate Head of Housing in consultation with the Portfolio Holder for Housing and Asset Management. This proposal was considered and supported by the Business and Housing Policy Committee on 18 June 2019.
3. That the £10 million General Fund expenditure be approved on the basis of a 25:75 equity/loan split, to be drawn down as the housing company requires the funds, and to be funded by capital receipts and prudential borrowing proportionally within each tranche.
4. That the Partnered Home Purchase budget be reduced by £1.2m in order to finance the equity purchase, noting that the Council may increase this budget in the future subject to future capital receipts.

To Council:

5. That Council gives permission to establish a company limited by shares and wholly owned by the Council to deliver and manage units for sub-market rent, shared ownership accommodation and units for outright sale.
6. That the Council approves the establishment of the Housing Company Scrutiny Panel and nominates three members to sit on the Panel.

## IMPLICATIONS:

### 1 COUNCIL STRATEGY OUTCOME

- 1.1 Delivering quality housing with a balanced range of tenures is a commitment within the Council Strategy 2017 – 2020. Whilst new housing for affordable rent and shared ownership can be delivered through the HRA, other options such as certain types of sub-market rent and alternative tenures are best delivered in a company structure.
- 1.2 Establishing a housing company to deliver a wide range of housing tenures to meet the needs of the market is also a key priority for the Housing Strategy 2017 – 2023, and it supports priorities in the emerging Preventing Homelessness and Rough Sleeping Strategy 2019 – 2024.

### 2 FINANCIAL IMPLICATIONS

#### Funding and impact on the General Fund

- 2.1 CAB3139 (HSG) approved a combined loan facility and equity shareholding of £10m from the General Fund to support the company's development activity. This reflected legal advice which stated that to avoid state aid implications any funding should be a mix of debt and equity. As a result, the business plan assumes a level of 75% debt to 25% equity, resulting in a £7.5m loan facility and a £2.5m equity shareholding from the General Fund.
- 2.2 As the housing company draws funds from the General Fund, these will be in the proportion detailed above; i.e. 25% share purchase and 75% loan. Eventually, and subject to the availability of retained profits, annual dividend payments will be due from the housing company to the General Fund.
- 2.3 The loan element from the General Fund will be repaid by the housing company on an annuity basis at an interest rate based on the European reference rate plus 400 basis points. As at 1<sup>st</sup> August 2019 the UK reference rate was set at 1.09% so the interest rate would be 5.09%. This is to ensure that the Council does not fall foul of state aid rules.
- 2.4 The General Fund will finance the loan element via prudential borrowing and, as there is no immediate return to cover the cost of borrowing, will finance the equity purchase via capital receipts.
- 2.5 An illustrative financial business case, summarised at **Appendices A and B** demonstrates that the housing company is financially viable and that the General Fund will receive a positive return on the equity/loan investment. Once the company has been established, individual schemes will be assessed against a series of financial viability tests for both the company and General Fund prior to their being approved.

### Partnered Home Purchase (PHP) Scheme

- 2.6 CAB3139 (HSG) proposed that this scheme, which was created in 2018 to provide open market shared ownership accommodation be transferred from the General Fund to the housing company once it commences trading.
- 2.7 This proposal has subsequently been reviewed and due to the inherent risk of losses arising on sales in the event of a falling market, the scheme will remain within the General Fund. The PHP scheme allows owners to “staircase” (increase their share of the property) by buying additional market value shares from the Council up to a maximum of 100%. In the event of a market fall, this could result in a capital loss. As the housing company’s overall balance sheet will be proportionally much lower, it is less able than the General Fund to absorb any potential loss. However, by establishing a housing company, it does present the opportunity for the company to purchase a property and re-let it should the owner be in arrears with their mortgage provider, thereby protecting the Council’s interest.
- 2.8 Furthermore, the General Fund’s capital receipts reserve is forecast to fall to £1.3m of uncommitted receipts by the end of 2020/21 and so in order to finance the purchase of equity from capital receipts it will be necessary to reduce the current PHP budget by £1.2m to £3.3m. It is estimated that the total PHP pilot will result in up to £2m of expenditure (£1.2m to date) and therefore £1.3m will remain should the Council wish to continue the scheme after the review of the pilot. If the Council generates further receipts in the future from the sale of its assets, it would be possible to increase the PHP budget to its original level.

### Units for open market sale

- 2.9 Financial modelling has demonstrated the need for a flexible approach to tenures with some units for open market sale delivered alongside those for sub-market rent and shared ownership.
- 2.10 The primary purpose of providing housing for sale will be to cross-subsidise sub-market development. It will also provide the company with greater flexibility to respond to market fluctuations by, for example, converting rented accommodation to market sales in order to re-invest receipts into additional sub-market development.
- 2.11 Updated legal advice has confirmed that the company can provide accommodation for both rent and sale on an ethical rather than commercial basis, and as such is unlikely to have the “commercial character” necessary to fall outside of the EU procurement rules. This point is addressed in further detail at paragraphs 3.8 – 3.10.

### Tax

- 2.12 CAB3139 (HSG) included tax advice from Trowers and Hamlins LLP which addressed the implications for the company in respect of corporation tax

(including chargeable gains), VAT, SDLT, Construction Industry Scheme (CIS), PAYE and tax on enveloped dwellings (ATED).

- 2.13 This advice has been revisited in light of the need for the company to deliver units for open market sale, and it is unchanged.
- 2.14 Further tax advice in relation to the administration and practical application of VAT & corporation tax will be obtained from tax advisors PSTax prior to the commencement of trading.

#### Financial business case

- 2.15 A summary of the five year financial business case for the housing company is shown at **Appendix A**. The business case demonstrates that the company is financially viable, generating income that is sufficient to cover operational costs from the General Fund, including loan interest and management support. The plan also includes assumed corporation tax payments on post tax profits and dividend payments to the General Fund where there is sufficient post tax profit available.
- 2.16 As detailed in paragraph 2.5, the financial business case is an illustrative example and does not include real schemes. The plan demonstrates that the housing company can be financially viable with funding of £10m (£7.5m loan and £2.5m equity). In arriving at the key assumptions, a number of factors were considered, including average build cost, average rents, management & maintenance costs and assumed interest rates. The key assumptions are summarised in **Appendix A**.
- 2.17 Rents are assumed to be a minimum of 90% of market rent and will therefore be above local housing allowance levels which are a maximum of 80% market rent. The annual operating costs for the housing company will include a number of recharges from the General Fund. The loan facility from the General Fund assumes an interest rate of 5.09%, as the rate needs to be based on market rates to comply with state aid requirements. The recharge of management costs and corporate overheads include a margin on cost of 5% and VAT where applicable. Dividends, arising from the General Fund shareholder equity investment, are assumed to be 5% of post tax profits each year. As the housing company is liable for corporation tax, this is assumed to be 17% of the pre tax profit.
- 2.18 In the business case the housing company generates a post tax profit each year including a higher profit in year two of £245k arising from the sale of open market properties. Total financing reaches a peak of £9.75m in year three and then reduces as the housing company has the ability to begin to repay the outstanding debt. As a result of the repayments, Interest payable on the loan also begins to reduce.
- 2.19 The main focus of the business case is to provide residential sub-market rent properties to be let on flexible short term tenancies. In order to provide additional funding to support this activity, the business case assumes the sale

of eight open market properties in year two. The sale profits increase reserves and provide funding to support the annual operating costs going forward.

- 2.20 In addition to acquiring properties for long term sub market rent, the plan also assumes income resulting from the housing company leasing properties on a short term basis from either the HRA or General fund.
- 2.21 When the housing company initially appraises new development schemes it will need to consider the increased cost of loan funding and operational costs when assessing the financial viability. Rents will also need to be above local housing allowance levels to enable schemes to pass a series of robust viability tests. These tests will include achieving a positive NPV, ensuring build costs are below market values and there is sufficient operational income to cover the cost of interest
- 2.22 The business case has also considered the financial impact on the general fund of the proposed shareholder equity investment and loan facility. **Appendix B** demonstrates that the General Fund can achieve a positive financial return on its investment.
- 2.23 As the General Fund must provide a loan on commercial terms to the housing company to avoid falling foul of state aid rules, the rate of interest charged on the loan facility is anticipated to be 5.09% (see paragraph 2.3). This is more than double the interest rates the General Fund is currently able to obtain on borrowing from the PWLB.
- 2.24 The General Fund also benefits from a mark up on the management and maintenance costs that it recharges to the housing company, currently assumed to be 5% of the base cost. Dividends arising from the shareholder equity investment are assumed to be 5% of the post tax profit, although in reality it will be up to the Board of Directors to determine the level of dividend dependent on the level of post-tax profit.
- 2.25 The business case assumes that the General Fund will finance the £2.5m shareholder equity investment from its capital receipts reserve. The loan to the housing company will be financed from an increase in the General Fund's Capital Financing Requirement (borrowing need) and along with the overall capital programme, is likely to require that the Council increase its external borrowing.
- 2.26 The business case assumes that land will be acquired at market value, although the intention will be to acquire land from the HRA at less than best consideration wherever possible. Any transfers of land will take into consideration all housing act consents and state aid implications.
- 2.27 The business case also assumes the housing company will contract with the HRA in most cases to build residential properties. The company will also be able to contract directly with a private developer for this purpose, although this will likely require a tender process as the housing company is likely to be a

contracting authority (as defined in the Public Contracts Regulations 2015) and therefore subject to EU procurement rules.

### 3 LEGAL AND PROCUREMENT IMPLICATIONS

#### Legal

- 3.1 CAB3139 (HSG) noted that legal advice had confirmed that since the Council wishes to offer a range of market and sub-market tenures and to be able to interchange between such tenures in order to respond to the market with agility, the use of a company would be the best means to achieve its objectives. The Council is entitled to rely on section 1 of the Localism Act 2011 in establishing the company for such purposes.
- 3.2 Section 1 of the Localism Act permits local authorities to do anything an individual may do, subject to a number of limitations. This is referred to as the “general power of competence” which an authority may exercise for its own purpose, for a commercial purpose and/or for the benefit of others. In exercising this power, it is still subject to its general duties (such as the fiduciary duties it owes to its rate and local tax payers) and to public law requirements to exercise its power for a proper purpose.
- 3.3 Legal advice also addressed the powers to transfer land to the company, powers to fund the company and state aid compliance.
- 3.4 CAB3139 (HSG) also noted that further legal guidance would be required to finalise the memorandum and articles of association, the shareholder agreement and other key documents. The proposal to delegate authority to the Corporate Head of Housing in consultation with the Legal Services Manager and the Leader with Portfolio for Housing Services to progress these documents was approved (recommendations 7 and 8).

#### Land acquisition

- 3.5 CAB3139 (HSG) confirmed that the housing company can acquire land from the HRA, General Fund or externally. Land acquired from the General Fund will generally be at best consideration, as will land acquired externally. Land from the HRA can be acquired at an “undervalue” subject to conditions outlined in section 25 of the Housing Act 1988; or with the approval of the Secretary of State and with the 2003 General Consent if “secures the promotion or improvement of the economic, social or environmental wellbeing of its area”.
- 3.6 Updated legal advice has confirmed that any land transferred from the HRA for the purposes of delivering units for market sale would need to be at market value. This could also include overage provisions, which would entitle the HRA to a proportion of the increase in the value of the land once planning has been obtained.

#### Procurement

- 3.7 Legal advice has confirmed that where the purpose of establishing the housing company is to meet the needs of the community rather than generate a financial return, it is unlikely to have the “commercial character” required in order to fall outside of the definition of a “body governed by public law” in the Public Contracts Regulations 2015. This would mean that the company would therefore fall within the scope of EU procurement rules.
- 3.8 If the company is a “Teckal” subsidiary, land may be transferred from the Council to the company with development obligations in compliance with EU procurement regulations.
- 3.9 In order for the company to meet the criteria for “Teckal” the Council must exert control over it in a manner similar to that exerted over its own departments, and at least 80% of the company's activities must be undertaken for the Council. Legal advice has confirmed that provided the governance arrangements between the company and the Council reflect these criteria and the company is entrusted with the obligation to deliver the housing on behalf of the Council, the company is likely to qualify as a “Teckal” subsidiary.

#### 4 WORKFORCE IMPLICATIONS

- 4.1 The marginal capacity of existing teams will be utilised to support company activity charged on a cost recovery contractual basis at “arms length”, thereby generating additional income for the Council.
- 4.2 Additional resources may be required as housing company development increases. This may include employing staff to support the development of new homes and housing company administration.
- 4.3 It is proposed that three senior officers be appointed to the Board of Directors of the company. They will not receive any additional remuneration. These proposals, and the role of the directors are outlined in further detail at section 12.4 & 12.5 of this report.
- 4.4 CAB3139 (HSG) also proposed (recommendation 6) that there be flexibility to appoint additional and possibly remunerated independent directors should a future need eventually arise. The proposal was approved by Cabinet (HSG).

#### 5 PROPERTY AND ASSET IMPLICATIONS

- 5.1 The housing company will acquire land from the HRA or General Fund. It could also acquire land from external developers but there could be SDLT and VAT issues associated with the final cost. To construct the properties, it will contract either with the HRA or a private developer.
- 5.2 When appropriate, the housing company will lease properties from both the HRA and the General Fund for short to medium term use, and potentially purchase properties on the open market.

## 6 CONSULTATION AND COMMUNICATION

- 6.1 Officers have liaised extensively with other local authorities who have established housing companies. This has given them a clear picture of the different approaches to governance, and how company secretary responsibilities are being discharged. Officers are continuing this dialogue in order to explore how operational matters have been addressed.
- 6.2 Proposals in respect of the governance structure and the process for approving housing company development opportunities were considered and supported by the Business and Housing Policy Committee on 18 June 2019.

## 7 ENVIRONMENTAL CONSIDERATIONS

- 7.1 As with all new development, properties will be built to a high standard and take into consideration the impact of the carbon footprint.

## 8 EQUALITY IMPACT ASSESSMENT

- 8.1 All policies and procedures (for example allocations and lettings) will be subject to a full equality impact assessment prior to implementation.

## 9 DATA PROTECTION IMPACT ASSESSMENT

- 9.1 None required.

## 10 RISK MANAGEMENT

- 10.1 Key risks and opportunities are outlined below.

<b>Risk</b>	<b>Mitigation</b>	<b>Opportunities</b>
<i>Property</i>		
High and increasing development costs	Detailed financial modelling based on current building costs and stress-testing for price increases	Property values increase Flexibility and control of the portfolio
Property values fall	The business plan recognises that short-term fluctuations in the market are inevitable but the outturn is positive over the length of the plan	
Insufficient demand	Each development will be subject to its own business case which will identify a	Evidence demonstrates that there is a consistent demand for sub-market

Risk	Mitigation	Opportunities
	suitable mix of tenure reflecting current demands in the market	rented housing
<i>Community Support</i>		Capacity to meet housing need that cannot be met by the HRA  Raising standards in the private rented sector
<i>Timescales</i>  Company not established in time to support specific initiatives	Resources are in place to ensure that the company is incorporated in October 2019.	
<i>Project capacity</i>  N/A		
<i>Financial / VfM</i>  The housing company is not profitable and is unable to pay dividends to the Council and/or defaults on loan interest and repayments, resulting in the Council's Investment not achieving the projected return.  Tax rules/HMRC requirements impacting on viability  Future Government restrictions on prudential borrowing rules to limit allowable public sector debt forces the housing company to borrow at higher interest rates  Brexit - worst case scenario: shortage of	The Housing New Build Panel will require detailed financial modelling by the housing company, including sensitivity analysis, to ensure careful selection of investment options that excludes those that fall short of the necessary viability criteria.  Additional tax advice detailed within CAB3139 (HSG) at exempt Appendix B  The housing company would need to consider commercial debt in order to continue its expansion taking into consideration any effect this may have on the viability of individual schemes  Potential development is continually appraised	Generation of profit on Disposal  Maximise available tax relief where possible  Potential receipt of dividends        Potential reduction in borrowing costs for the General Fund if gilt yields, and therefore PWLB borrowing costs, fall leading to greater margin for the General Fund

Risk	Mitigation	Opportunities
labour and materials; house price downturn; rising demand for affordable housing as a result of rising unemployment; rising cost of loan finance	before contracts are agreed and any loan finance is based on fixed rates	
<p><i>Legal</i></p> <p>Council acting outside of relevant powers</p> <p>Personal risk arising from the duties and liabilities of company directors</p>	<p>External specialist legal advice on company governance detailed within CAB3139 (HSG) at exempt Appendix C</p> <p>Appropriate insurance against claims for negligence, breach of trust etc. will be obtained</p>	
<p><i>Innovation</i></p> <p>N/A</p>		
<p><i>Reputation</i></p> <p>Reputational impact of the company on the council</p> <p>Reputational damage in the event of the company's failure</p>	<p>A marketing and communications plan will be developed to ensure that the branding and image of the company contribute to a positive view of the Council's services</p> <p>Risks reviewed and evaluated on a regular basis as part of corporate risk management process</p>	
<p><i>Other</i></p> <p>N/A</p>		

## 11 SUPPORTING INFORMATION:

### Background

- 11.1 The development of new affordable housing is a key priority in the Council Strategy 2017-2020, and the new build programme was extended following the removal of the HRA debt cap in October 2018. In addition, the Council works closely with its housing association partners to maximise their development activity within the district.
- 11.2 The Council Strategy also recognises the need for a range of housing products in order to meet the evolving needs of the market which can best be delivered through a company structure.
- 11.3 In March 2017 CAB2911 (HSG) set out an initial proposal to establish a dual structure with a development company for commercial activity and a subsidiary charitable arm to deliver some affordable housing for purchase by the Council through the HRA. However, financial modelling demonstrated that this would be significantly more expensive than the current approach where the HRA directly funds development on Council land. As a result, in November 2017 CAB2990 (HSG) proposed the establishment of a single company limited by shares to focus specifically on the delivery of sub-market rent.
- 11.4 Following approval of this proposal, rising costs made a review of the original financial modelling a priority. In March 2019 CAB3139 (HSG) confirmed that the single company model remained viable.

### Local context

- 11.5 CAB3139 (HSG) noted the considerable demand for affordable housing in the Winchester district and the difficulties faced by households who are dependent upon the private rented sector. This includes but is not limited to:
- Hampshire Home Choice applicants who have been assessed as medium or low priority. These households will potentially face a longer wait for accommodation than those with higher priority and often look to the private rented sector as an alternative. For example, in the twelve months to 31 March 2019 the average waiting time for a three-bedroomed home for a medium priority family was four years and eleven months
  - Households accepted as homeless by the Council. The Council's duty to homeless applicants can be discharged by identifying suitable private rented housing, but there is little suitable accommodation available
  - Households who are threatened with homelessness
  - Those who would be owner occupiers but lack the capital required for a deposit.
- 11.6 All of these households are potentially confined to the private rented sector for the long-term.

## 12 GOVERNANCE STRUCTURE

- 12.1 It is envisaged that the governance structure of the housing company will consist of two delegations acting to oversee the business plan and overall strategic direction of the company. These two delegations act as the Board of Directors and a specific Housing Company Scrutiny Panel<sup>1</sup>.
- 12.2 The Housing Company Scrutiny Panel will consist of three elected members appointed by full Council. It will meet twice a year to oversee company activity, provide strategic guidance and advise full Council in its capacity as shareholder. Authority to finalise the draft Terms of Reference for the panel was delegated to the Corporate Head of Housing in consultation with the Legal Services Manager and the Leader with Portfolio for Housing Services in March 2019 (CAB3139 (HSG), recommendation 8.). A further copy of the draft Terms of Reference is included within the background documents to this paper.
- 12.3 In accordance with the Companies Act 2006 there is no necessity for a named company secretary. The responsibilities that would sit with the secretary must still be discharged, and become by default, the directors'. They include: ensuring compliance with corporate governance and other financial and legal regulations; arranging directors' and shareholder meetings; and the filing of returns with Companies House. This role will be supported by the Council's Legal Services and Finance teams.
- 12.4 It is proposed that the Board of Directors consist of the following three senior officers:
- Strategic Director – Place
  - Corporate Head of Housing
  - Housing Finance & Resources Manager.
- 12.5 Once appointed, a director has a number of duties and liabilities under general company law:
- A fiduciary duty to act honestly, in good faith and in the interests of the company
  - A general duty to take reasonable care and skill, and to exercise independent judgement when dealing with the company's affairs
  - A duty to avoid conflict of interest, not make a private profit from the position, and to ensure that the legislation contained in the Companies Acts is complied with
  - Personal liability if the company acts outside it's powers with the prior knowledge of the director
  - Liability for breach of trust

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<sup>1</sup> Initially referred to as the Shareholder Advisory Group (CAB3139 (HSG) March 2019)

- Liability for losses sustained if a director abuses their position; and/or fails to act in the best interest of the company; and/or fails to exercise the requisite level of skill and care
  - Liability to contribute to the company's assets if a director knows or ought to know that there is no reasonable prospect of the company avoiding liquidation
  - Liability for fraudulent trading
  - Liability for a fine and/or making good losses where cheques and other documents do not bear the company's name
  - Liability for damages arising from the unauthorised activities of a director.
- 12.6 The Council's own insurance does not provide cover for officers acting as directors. However, the company will be able to obtain insurance for its directors against claims for negligence, breach of trust etc. Directors will also be provided with an appropriate level of training, to be sourced externally.
- 12.7 Authority to finalise the memorandum and articles of association, and the shareholder agreement was delegated to the Corporate Head of Housing (in consultation with the Legal Services Manager, the Leader with Portfolio for Housing Services, and external legal advisors) in March 2019 (CAB3139 (HSG), recommendation 7).
- 12.8 A summary of the governance structure is provided below:

	<b>Function</b>
<b>Sole Shareholder</b>	Full Council taking decisions reserved for the shareholder in the company's articles of association and shareholder agreement. This would include approval of the annual company budget and business plan.
<b>Housing Company Scrutiny Panel</b>	Three elected members appointed by the Shareholder to oversee company activity and provide strategic guidance. Senior officers will attend panel meetings as required.
<b>Board of Directors</b>	Three senior officers appointed by the Shareholder and legally responsible for the company's performance, accounts and records.
<b>Company Secretary</b>	Duties will be administered by the Legal Services team in accordance with the requirements of the Board of Directors.
<b>Operational Management Team</b>	Identified by the Board of Directors and responsible for the discharge of any duties and responsibilities delegated by the Board of Directors.

### 13 PROCESS FOR THE APPROVAL OF HOUSING COMPANY DEVELOPMENT OPPORTUNITIES

- 13.1 It is proposed that all potential development opportunities for both the HRA and the housing company be appraised initially by the New Homes Delivery

team. If the opportunity is considered viable, the Housing New Build Panel (consisting of the strategic directors and the Cabinet Member for Housing and Asset Management) will decide whether it progresses through the HRA or the housing company.

- 13.2 If the housing company is considered to be the most appropriate vehicle, an outline business case will be prepared with input from the Housing Company Scrutiny Panel prior to submission to the Board of Directors. If the opportunity is rejected by the Board of Directors the outline business case may be amended and resubmitted, it may progress as an HRA scheme instead, or it may be shelved altogether.
- 13.3 This proposal was considered and supported by the Business and Housing Policy Committee on 18 June 2019. A flow diagram illustrating this process is attached at **Appendix C**.

#### 14 NEXT STEPS

- 14.1 A summary of the next steps to be taken is set out in the table below.

<b>Governance structure</b>
Company Secretary responsibilities: <ul style="list-style-type: none"> <li>▪ Identification of internal resources, processes and training</li> </ul>
Finalise key governance documentation: <ul style="list-style-type: none"> <li>▪ Memorandum and articles of association</li> <li>▪ Incorporation of Company at Companies House</li> <li>▪ Shareholder agreement</li> <li>▪ Terms of reference for Housing Company Scrutiny Panel, Housing New Build Panel, Board of Directors and Operational Management Team</li> <li>▪ Service level agreement for services provided by the General Fund and the HRA</li> <li>▪ Funding agreements - loan facility and equity</li> <li>▪ Development agreement – housing company/HRA</li> </ul>
Processes for, and the appointment/identification of: <ul style="list-style-type: none"> <li>▪ Housing Company Scrutiny Panel</li> <li>▪ Board of Directors</li> <li>▪ Operational Management Team</li> </ul>
<b>Financial</b>
Company bank account
Procure and Appoint external auditor
HMRC registration for relevant taxes
Obtain directors' & officers insurance (employers and public liability)
Review business plan prior to commencement of trading
<b>Communications and marketing</b>
Communications and marketing plan
Web site
Company name
Branding and logo
<b>Operational policies, procedures and service standards (Including Equality Impact Assessments where required)</b>
Process for approving housing company development opportunities

Corporate recharge process
Allocations and lettings: <ul style="list-style-type: none"> <li>▪ Marketing of vacant homes</li> <li>▪ Recording and assessment of applications for accommodation</li> <li>▪ Offering a tenancy</li> <li>▪ Tenancy sign-up</li> </ul>
Housing management: <ul style="list-style-type: none"> <li>▪ Service standards</li> <li>▪ Tenants' handbook and other information</li> <li>▪ Tenancy management</li> <li>▪ Estates services</li> <li>▪ Rent collection and accounting</li> <li>▪ Tenancy termination</li> </ul>
Property services: <ul style="list-style-type: none"> <li>▪ Service standards for responsive repairs, cyclical and planned maintenance</li> <li>▪ Contractor procurement and selection (if appropriate)</li> </ul>
Procurement
Accounting & systems: <ul style="list-style-type: none"> <li>▪ Orchard</li> <li>▪ SharePoint</li> <li>▪ Keystone</li> </ul>

## 15 OTHER OPTIONS CONSIDERED AND REJECTED

- 15.1 CAB2911 (HSG) considered the more complex option of dual company structures, one a company limited by guarantee and one in the form of a community benefit society. Whilst the business case for the dual structure was marginally more positive than the single company structure, set up, management and governance would be more complex with little or no immediate benefits to the Council.
- 15.2 As a result, both CAB2990 (HSG) and CAB3139 (HSG) recommended that initially the Council establish a single company structure. This would not preclude the establishment of a subsidiary charitable company at a later date to exploit potential tax advantages.
- 15.3 With regard to governance, the Council's Scrutiny Committee could be delegated to undertake the overview function for the Council. However, a specific panel is considered more appropriate and in accordance with good practice elsewhere.

### BACKGROUND DOCUMENTS:-

#### Previous Committee Reports:-

Business and Housing Policy Committee 18 June 2019 – Winchester District Housing Company: Presentation

CAB3139 (HSG) 20 March 2019 – Establishing the Winchester Housing Company

CAB2990 (HSG) 22 November 2017 – Establishing Local Housing Companies to Support New Homes Development

CAB2911 (HSG) 22 March 2017 – Establishing Local Housing Companies to Support New Homes Development

CAB2626 (HSG) 1 October 2014 – Options for Increasing the Supply of Affordable Housing

Other Background Documents:-

Draft Terms of Reference for Housing Company Scrutiny Panel

APPENDICES:

Appendix A - Housing Company Financial Business Case

Appendix B - General Fund Financial Impact

Appendix C - Development Approval Process flow diagram