

Public Document Pack



EXECUTIVE

Date: Wednesday, 3 October 2018

Time: 2.00pm,

Location: Shimkent Room, Daneshill House, Danestrete, Stevenage

Contact: Ian Gourlay (01438) 242703

Members: Councillors: S Taylor (Chair), J Lloyd (Vice-Chair), R Broom, J Gardner, R Henry, J Hollywell, R Raynor and J Thomas.

AGENDA

PART 1

1. APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST

2. MINUTES - 5 SEPTEMBER 2018

To approve as a correct record the Minutes of the meeting of the Executive held on 5 September 2018 for signature by the Chair.

Pages 3 – 10

3. MINUTES OF OVERVIEW & SCRUTINY COMMITTEE AND SELECT COMMITTEES

To note the following Minutes of the Overview & Scrutiny Committee and Select Committees –

Community Select Committee – 4 September 2018

Overview & Scrutiny Committee – 10 September 2018

Pages 11 – 20

4. THE FORMATION OF A WHOLLY OWNED HOUSING DEVELOPMENT COMPANY - CONCEPT AND BUSINESS CASE OBJECTIVES APPROVAL

To consider the concept and Business Case objectives relating to the proposed formation of a wholly owned Housing Development Company.

Pages 21 – 34

5. URGENT PART I BUSINESS

To consider any Part I business accepted by the Chair as urgent.

6. EXCLUSION OF PUBLIC AND PRESS

To consider the following motions –

1. That under Section 100(A) of the Local Government Act 1972, the press and public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as described in paragraphs 1 – 7 of Part 1 of Schedule 12A of the Act as amended by Local Government (Access to Information) (Variation) Order 2006.
2. That Members consider the reasons for the following reports being in Part II and determine whether or not maintaining the exemption from disclosure of the information contained therein outweighs the public interest in disclosure.

7. PART II MINUTES - EXECUTIVE - 5 SEPTEMBER 2018

To approve as a correct record the Part II section of the minutes of the meeting of the Executive held on 5 September 2018.
Pages 35 - 36

8. GARAGE BUSINESS PLAN UPDATE

To consider a summary of achievements since the Garage Business Plan was agreed in July 2016; to consider amendments to the terms and remit of the Major Refurbishment Contract for flat blocks, so that it will include delivery of the refurbishment works to the Council's garage assets; and to consider plans for disposing of identified garage sites to raise capital funds to re-invest in the refurbishment of the Council's remaining garage assets.
Pages 37 - 70

9. URGENT PART II BUSINESS

To consider any Part II business accepted by the Chair as urgent.

NOTE: Links to Part 1 Background Documents are shown on the last page of the individual report, where this is not the case they may be viewed by using the following link to agendas for Executive meetings and then opening the agenda for Wednesday, 3 October 2018 – <http://www.stevenage.gov.uk/have-your-say/council-meetings/161153/>

STEVENAGE BOROUGH COUNCIL

EXECUTIVE MINUTES

Date: Wednesday, 5 September 2018

Time: 2.00pm

Place: Shimkent Room, Daneshill House, Danestrete, Stevenage

Present: Councillors: Sharon Taylor OBE CC (Chair) (from 2.10pm), Mrs Joan Lloyd (Vice-Chair), Rob Broom, John Gardner, Richard Henry, Jackie Hollywell, Ralph Raynor and Jeannette Thomas.

Start / End Time: Start Time: 2.00pm
End Time: 4.16pm

1 APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST

As the Chair would be slightly late attending the meeting, the Vice-Chair assumed the Chair.

No apologies for absence were received.

There were no declarations of interest.

2 MINUTES - 11 JULY 2018

It was **RESOLVED** that the Minutes of the meeting of the Executive held on 11 July 2018 are approved as a correct record for signature by the Chair.

3 MINUTES OF OVERVIEW & SCRUTINY COMMITTEE AND SELECT COMMITTEES

In relation to the Minutes of the meeting of the Community Select Committee held on 12 July 2018, it was felt that consideration should be given to an MMP Training session regarding the Voluntary Sector.

In respect of the Minutes of the meeting of the Environment & Economy Select Committee held on 1 August 2018, the Service Director (Tom Pike) undertook to investigate the maintenance/cleaning regime of the Town Centre, Middle Row and Indoor Market Public Conveniences, with a view to improving the condition of these facilities.

It was **RESOLVED** that the Minutes of the following meetings of the Overview and Scrutiny Committee and Select Committees are noted:

Environment & Economy Select Committee – 13 June 2018

Community Select Committee – 20 June 2018

Community Select Committee – 4 July 2018

Community Select Committee – 12 July 2018
Overview & Scrutiny Committee – 16 July 2018
Environment & Economy Select Committee – 1 August 2018

4 **COMMUNITY INFRASTRUCTURE LEVY (CIL)**

At this point in the proceedings, the Leader of the Council arrived and assumed the Chair for the remainder of the meeting.

The Executive considered a report that provided an overview of the Community Infrastructure Levy (CIL) and sought approval for two rounds of consultation on the Preliminary Draft Charging Schedule (PDCS) and subsequently the Draft Charging Schedule (DCS).

The Executive was advised that, unlike Section 106, the CIL would be chargeable on the majority of planning applications for new developments. However, Section 106 could still apply in respect of applications where site specific mitigation measures were required (ie. new schools, road infrastructure improvements etc.).

The Leader requested that the following measures be taken in relation to the CIL:

- The consultation exercise should be designed in such a way so as to encourage residents to engage and respond, not just developers;
- The Planning Control Committee would have an active role in monitoring CIL on a meeting by meeting basis, and the Audit Committee should be used to monitor the overall impact on a retrospective basis; and
- The performance relating to CIL should also be added to the Executive's Performance Monitoring Indicators.

The Executive supported the addition of recommendations relating to a 12 month review of the CIL and highlighted its continued concern regarding the Holding Direction on the Local Plan and its consequent impact on the introduction of CIL.

It was **RESOLVED**:

1. That the updated evidence base for CIL is noted.
2. That the draft Preliminary Draft Charging Schedule (attached as Appendix 1 to the report) is approved.
3. That public consultation on the Preliminary Draft Charging Schedule for a period of six weeks, commencing on 12 September 2018, is approved.
4. That delegated powers be granted to the Assistant Director (Planning & Regulation), in consultation with the Portfolio Holder for Environment & Regeneration, to make such amendments as are necessary in the final preparation of the Preliminary Draft Charging Schedule.
5. That delegated powers be granted to the Assistant Director (Planning & Regulation), in consultation with the Portfolio Holder for Environment &

Regeneration, to consider consultation responses received in relation to the Preliminary Draft Charging Schedule and to make such amendments as are necessary to subsequently prepare the Draft Charging Schedule.

6. That public consultation on the Draft Charging Schedule, for a period of four weeks commencing on 16 November 2018, is approved.
7. That the CIL rates are reviewed 12 months after adoption to take into account updated viability evidence.
8. That significant concern is expressed regarding the continuing temporary Holding Direction on the Stevenage Borough Local Plan, which has been found sound on Independent Examination, by the Secretary of State which is causing delay in the introduction of CIL as well as preventing the positive determination of planning applications for much needed development throughout the Borough.

Reason for Decision: As contained in the report; plus 7. To ensure the CIL rates are reviewed in a timely manner; and 8. To re-iterate the Council's concern regarding the Holding Direction on the Local Plan and its impact on the introduction of CIL. Other Options considered: As contained in the report.

5 COUNCIL TAX SUPPORT SCHEME

The Executive considered a report proposing the continuation of the 2018/19 Council Tax Support (CTS) Scheme for 2019/20.

The Portfolio Holder for Resources advised that it was recommended that the Scheme remained unchanged from 2018/19 at an 8.5% maximum liability for those on maximum benefit (or £121.61 a year for claimants in a Band C property).

The Executive noted that further modelling would be required on the potential new scheme for 2020/21, which would be based on claimants' income bands, and would aim to simplify the criteria for customers, as well as mitigating the impact of changes in circumstances on workload and Council Tax collection resulting from universal credit reassessments.

It was **RESOLVED** that Council be recommended to approve the 2019/20 Council Tax Support Scheme, as proposed within the report.

*Reason for Decision: As contained in the report.
Other Options considered: As contained in the report.*

6 GENERAL FUND MEDIUM TERM FINANCIAL STRATEGY 2018/2019 - 2022/2023

The Executive considered a report that provided an update on the General Fund Medium Term Financial Strategy for the period 2018/19 - 2022/23 and an Update on the Financial Security targets for the period 2019/20 – 2020/21.

The Assistant Director (Finance and Estates) referred to the revised table at

Paragraph 4.11.3 of the report circulated at the meeting. She commented that the data in the original table in the row entitled “Variance to Nov Financial Security Report” was the total General Fund balance and not the variance to the 2018 MTFS.

It was noted that the Leader planned to hold an Executive session concerning Financial Security in Autumn 2018.

It was **RESOLVED**:

1. That the Medium Term Financial Strategy (MTFS) principles, as outlined in paragraph 4.1.6 of the report, are approved.
2. That, for modelling purposes, Council Tax increases be set at the threshold of 2.99%, subject to any change in government rules to achieve a balanced budget (Section 4.7 of the report refers).
3. That the updated inflation assumptions used in the Medium Term Financial Strategy (Section 4.4 of the report refers) are approved.
4. That a General Fund Financial Security Target of £2.24million is approved for the period 2019/20- 2021/22 (Paragraph 4.6.15 of the report refers), including an assumption that fees and charges increases be in line with inflation.
5. That amounts of £300,000 and £100,000 for 2018/19 and 2019/20 respectively, are approved for inclusion in the budget setting process as a Transformation Fund, to help deliver the Future Town Future Council programme, (Paragraph 4.5.2 of the report refers).
6. That General Fund growth is only approved for the Council's FTFC priorities and is funded from within the existing baseline budgets or by further savings in addition to the £2.24Million target identified (Paragraph 4.5.4 of the report refers).
7. That approval to enter the Business Rates Hertfordshire pilot for 2019/20 is delegated to the Assistant Director (Finance and Estates), after consultation with the Resources Portfolio Holder (Paragraph 4.8.7 of the report refers).
8. That the Leader's Financial Security Group oversee the development of the 2019/20 – 2021/22 savings package.
9. That a minimum level of balances for the General Fund of £2.96million is approved for 2019/20 (section 4.11 of the report refers).
10. That the MTFS is regularly updated for any material financial pressures so forecasts are updated and is re-presented to the Executive for approval.
11. That public consultation be commissioned in line with the requirements of the Council's Consultation and Engagement Strategy.
12. That the Trade Unions and staff are consulted on the key messages contained within the Medium Term Financial Strategies and more specifically when

drawing up any proposals where there is a risk of redundancy.

Reason for Decision: As contained in the report.

Other Options considered: As contained in the report.

7 1ST QUARTER REVENUE MONITORING REPORT 2018/2019 - GENERAL FUND AND HOUSING REVENUE ACCOUNT

The Executive considered a report that provided an update on the General Fund and Housing Revenue Account (HRA) projected 2018/19 outturn, including any carry forward requests, updates on savings and growth bids.

The Portfolio Holder for Resources advised that the General Fund net spend was projected to be £195,750 higher than the working budget. The HRA net spend was projected to be £75,400 higher than the working budget. The 1st Quarter variances were set out in the report.

In relation to the peppercorn rent issue referred to in Paragraph 4.2.8 of the report, the Leader requested that officers take further steps to secure higher rent levels from Registered Social Providers.

It was **RESOLVED:**

General Fund

1. That the 1st Quarter projected net increase in General Fund expenditure of £195,750 is approved.
2. That it be noted that cumulative changes made to the General Fund net budget remains within the £400,000 increase variation limit delegated to the Executive.
3. That the progress of the 2018/19 approved Financial Security options, growth bids and carry forward requests is noted.
4. That it be noted that the 2019/20 ongoing net pressure of £57,090 will be incorporated into the General Fund Medium Term Financial Strategy (MTFS).

Housing Revenue Account (HRA)

1. That the 2018/19 1st Quarter projected net increase in HRA net deficit of £75,400 be approved.
2. That it be noted that the cumulative increases made to the HRA net budget remains within the £250,000 increase variation limit delegated to the Executive.
3. That the progress of the 2018/19 approved Financial Security options, growth bids and carry forward requests is noted
4. That budget carry forwards to 2019/2020 of £60,000 are approved.

Reason for Decision: As contained in the report.
Other Options considered: As contained in the report.

8 1ST QUARTER CAPITAL PROGRAMME MONITORING REPORT 2018/19 - GENERAL FUND AND HOUSING REVENUE ACCOUNT

The Executive considered a report that provided an update on the Council's 2018/19 and 2019/20 Capital Programme, and sought approval for revisions to the General Fund and Housing Revenue Account Capital Programme.

The Portfolio Holder for Resources stated that the 2018/19 General Fund Capital Programme was projected to be £798,000 lower than the working budget or 2.5)% of the budgeted amount, all of which related to the re-profiling of scheme delivery between 2018/19 and 2019/20. The HRA Capital Programme was projected to be unchanged from the working budget of £26.1Million.

In response to a query raised by the Leader, the Assistant Director (Finance & Estates) undertook to provide Executive Members with clarification regarding the Boiler upgrade/replacement schemes for St. Nicholas Community Centre and Springfield House.

It was **RESOLVED:**

1. That the 2018/19 General Fund capital programme net decrease in expenditure of £798,260 is approved, as summarised in Paragraph 4.1.1 of the report.
2. That the virement from the deferred works Budget of £49,000 and for the Multi-Storey Car Park of £12,140, as summarised in Paragraphs 4.1.5 and 4.1.6 of the report, is approved.
3. That the General Fund re-profiling of capital expenditure to 2019/20 of £1,627,500, as summarised in Table One of the report, is approved.
4. That it be noted that there is no increase in the capital expenditure for the 2019/20 Housing Revenue Account, as summarised in Table Two of the report.

Reason for Decision: As contained in the report.
Other Options considered: As contained in the report.

9 ANNUAL TREASURY MANAGEMENT REVIEW OF 2017/18 INCLUDING PRUDENTIAL CODE

The Executive considered a report for recommendation to Council on the operation of the 2017/18 Treasury Management and Investment Strategy.

The Portfolio Holder for Resources drew attention to the cash balances (as at 31 March 2018) pie chart tabled at the meeting, which was a clearer representation of the pie chart set out in Paragraph 5.7.3 of the original report.

The Leader referred to a recent decision of Plymouth City Council to invoke the provisions of the Sustainable Communities Act 2007 to call upon the Government to share with the Council information it had on Brexit and its impact on the city. The Executive supported the Leader's suggestion that a similar request be made to Government concerning the sharing of Brexit impacts for Stevenage.

It was **RESOLVED**:

1. That the 2017/18 Annual Treasury Management Strategy be recommended to Council for approval.
2. That the provisions of the Sustainable Communities Act 2007 be invoked to call upon the Government to share with the Council information it has on Brexit and its impact on Stevenage.

Reason for Decision: As contained in the report; and 2. To obtain information regarding the impact of Brexit on Stevenage.

Other Options considered: As contained in the report.

10 CORPORATE PERFORMANCE - QUARTER ONE 2018/19

The Executive considered a report that highlighted the Council's performance across key priorities and themes for Quarter One 2018/2019.

The Chief Executive gave a presentation on the report, and drew attention to the three Future Town, Future Council (FTFC) Programme and eight Corporate Performance measures at red status, together with improvement activities for each of these measures, as set out in the report.

The Leader asked that Members be updated on developments regarding the Customer Service Centre in advance of the next Council meeting.

The Leader suggested that the Overview and Scrutiny Committee may wish to consider bringing forward its planned consideration of staff sickness.

It was **RESOLVED**:

1. That the delivery of priorities which form the Future Town, Future Council Programme and performance of the Council across the key themes for Quarter One 2018/19, together with the latest achievements, is noted.
2. That the initial implementation of the Homelessness Reduction Act and activity to facilitate sustained performance to prevent homelessness in the town is noted and endorsed (as set out in Paragraphs 3.89 to 3.91 of the report).
3. That plans being implemented to ensure that sufficient staff are available to meet the level of customer contacts through the Customer Service Centre to provide a more consistent level of service to customers are endorsed (as set out in Paragraphs 3.109 to 3.114 of the report).

4. That the improvements to performance reporting practice and plans to revise policy and practice to support sickness absence management are noted and endorsed (as set out in Paragraphs 3.120 to 3.123 of the report).

Reason for Decision: As contained in the report.

Other Options considered: As contained in the report.

11 URGENT PART 1 BUSINESS

None.

12 EXCLUSION OF PUBLIC AND PRESS

It was **RESOLVED**:

1. That, under Section 100(A) of the Local Government Act 1972, the press and public be excluded from the meeting for the following items of business on the grounds that they involved the likely disclosure of exempt information as described in paragraphs 1 to 7 of Part 1 of Schedule 12A of the Act, as amended by SI 2006 No. 88.
2. That having considered the reasons for the following items being in Part II, it be determined that maintaining the exemption from disclosure of the information contained therein outweighed the public interest in disclosure.

13 PART II MINUTES - EXECUTIVE - 11 JULY 2018

It was **RESOLVED** that the Part II Minutes of the meeting of the Executive held on 11 July 2018 are approved for signature by the Chair.

14 TOWN CENTRE REGENERATION - REGENERATING QUEENSWAY NORTH

The Executive considered a Part II report that sought authority to enter into contract negotiations with a private property development and investment company with the aim of entering legal agreements to bring forward the regeneration scheme on Queensway North.

It was **RESOLVED** that the recommendations in the report are approved.

Reason for Decision: As contained in the report.

Other Options considered: As contained in the report.

15 URGENT PART II BUSINESS

None.

CHAIR

STEVENAGE BOROUGH COUNCIL

COMMUNITY SELECT COMMITTEE MINUTES

Date: Tuesday, 4 September 2018

Time: 6.00pm

Place: Shimkent Room - Daneshill House, Danestrete

Present: **Councillors:** Sarah Mead (Chair), Adam Mitchell CC (Vice-Chair), Sandra Barr, Jim Brown, Liz Harrington, Roni Hearn, John Mead, Sarah-Jane Potter and Simon Speller

In attendance: Councillor Rob Broom (Executive Portfolio Holder – Neighbourhoods and Co-operative Working)

Start / End Time: Start Time: 6.00pm
End Time: 7.45pm

1 **APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST**

Apologies were received from Councillor T Wren.

There were no declarations of interest.

2 **MINUTES OF THE PREVIOUS MEETINGS**

It was **RESOLVED:**

1. That the Minutes of the Community Select Committee (CSC) meeting held on 4 July 2018 are agreed as a correct record and signed by the Chair subject to amending all references of "Fairland Valley" in Item 5 to "Fairlands Valley".
2. That the Minutes of the Community Select Committee (CSC) meeting held on 12 July 2018 are agreed as a correct record and signed by the Chair.

3 **RESIDENT ENGAGEMENT SCRUTINY REVIEW - PRESENTATION**

The Chair welcomed Rachel Eden (Holy Brook Associates) who had been engaged to support the Community Engagement review. Rachel provided the Committee with a report and presentation outlining the Council's the current community engagement approach and recommended steps to improve community engagement activity. The report for the period up to March 2018 followed a review and analysis of community engagement across Stevenage. Rachel felt that the Council already took community engagement seriously and some teams demonstrated a mature understanding of the importance of the topic.

Case studies included in the research revealed that there were good relationships between residents and officers. However, there were notable barriers to maximising

the benefits of communication and engagement with the community. These included the need to improve digital access channels to enable online sharing and tools / measures to evidence the progress of communication and how engagement made a difference. It was observed that there was occasionally a lack of pace in community engagement and the Council could be reactive rather than proactive on some projects.

The report highlighted that it should be standard practice to consider community engagement requirements and benefits with regards to relevant policies and developments and that stakeholders should be asked to contribute when drafting engagement plans. Members, residents and officers should be encouraged to explore community engagement options and build relationships with residents including those who live elsewhere but work in the Borough.

The consultant recommended that the Council:

- Creates a community engagement toolkit that included case studies, contacts, checklists and templates
- Integrates communications planning into community engagement work
- Works to agree and implement a set of measures for effective engagement
- Expands the approach to people not currently involved in community engagement

The Executive Portfolio Holder (Neighbourhoods and Co-operative Working) informed Members that the Council is working hard to improve the information technology (IT) infrastructure. There were plans to provide a consultation platform on the SBC website and to make the website more user-friendly.

An informal poll of 53 residents that was carried out by the Chair revealed the following:

- The majority of those polled contact the Council by telephone
- The Council website and Comet were the main sources of information for the respondents
- None of the young respondents were aware that the Chronicle was a Council publication
- The respondents contacted the Council primarily about refuse collection, parking, shops and town centre regeneration

It was acknowledged that due to the community engagement methodologies used, the views of a significant number of the Borough's demographics were excluded from the Stevenage residents' survey and Members' informal surveys. Members indicated that the Council appeared to be slow in embracing some of the new community engagement tools. Members felt there was a risk that residents perceive some consultations are designed to suit pre-determined Council objectives. It was noted that informal community engagement such as the use of social media and community events was beneficial to residents, Members and officers.

Members were asked by the Chair to highlight their key recommendations for consideration in relation to this review. Members recommended that:

1. The Council's information technology (IT) system be upgraded and the website be revamped
2. The Council provides micro-websites for Wards with details such as outstanding community actions
3. The Council commissions community-driven applications (apps) and social media tools such as Twitter surveys and increases the use of mobile devices
4. The Council considers digital engagement via touchscreens and other devices at Council offices and in the town centre
5. Members and officers improve face-to-face engagement with residents and manage expectations of residents during community engagement work
6. The Council integrates communications planning into community engagement work for each business unit
7. The Council decentralises community engagement to individual business units and sub-units
8. Customer feedback method used by the Repairs & Voids team be rolled out to other Council services
9. The Council widens the base for consultations so as to reflect the demographics of the Borough
10. The Council puts in place measures to demonstrate the benefits and effectiveness of community engagement
11. Formal Council reports include community engagement as part of the criteria for sign off at officer and Member level
12. The Council increases the number of neighbourhood wardens to at least one per county council electoral division
13. The Council creates a community engagement toolkit to enable Members and officers to follow a standard approach to community engagement

It was **RESOLVED:**

1. That the Stevenage Community Engagement Report is noted
2. The recommendations made by Members be included in the Executive Portfolio Holder response to the Community Engagement Review

4 **URGENT PART 1 BUSINESS**

None.

5 **EXCLUSION OF PUBLIC AND PRESS**

Not required.

6 **URGENT PART II BUSINESS**

None.

CHAIR

STEVENAGE BOROUGH COUNCIL

**OVERVIEW AND SCRUTINY COMMITTEE
MINUTES**

Date: Monday, 10 September 2018

Time: 6.00pm

Place: Shimkent Room - Daneshill House, Danestrete

Present: Councillors: Lin Martin-Haugh (Chair), Philip Bibby CC (Vice-Chair), Sandra Barr, Jim Brown, James Fraser, Jody Hanafin, Michelle Gardner (from 6.50pm), Lizzy Kelly, John Mead, Sarah Mead, Adam Mitchell CC, Robin Parker CC and Sarah-Jane Potter.

Start / End Start Time: 6.00pm
Time: End Time: 7.50pm

1 APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST

An apology for absence was received from Councillor Michael Downing and for lateness from Councillor Michelle Gardner.

There were no declarations of interest.

2 MINUTES - 16 JULY 2018

It was **RESOLVED** that the Minutes of the Overview and Scrutiny Committee Meeting held on 16 July 2018 are approved as a correct record and signed by the Chair.

3 PART I DECISIONS OF THE EXECUTIVE

This report had not been circulated to Members five clear days before the meeting nor had it been made available for public inspection. The Chair determined however that given the short time left before the end of the call-in period on 14 September 2018 it be considered on this occasion.

Minutes – Overview and Scrutiny Committee and Select Committees

The Committee noted the comments of the Executive.

Community Infrastructure Levy (CIL)

The Planning Policy Manager advised that, in 2015, the Executive had agreed to the progression of the CIL. It had not been progressed, as priority had been subsequently given to preparation work on the Stevenage Local Plan. The Executive had approved two rounds of consultation, on the CIL Preliminary Draft Charging Schedule and Draft Charging Schedule, respectively.

In reply to a number of questions on the report, the Committee was advised:

- CIL was now recommended, as (unlike Section 106) it allowed the Council to charge for all development applications that created net additional floorspace of at least 100 square metres or development of any size that resulted in a new house or flat. CIL was not subject to the pooling restrictions imposed on Section 106 Agreements introduced in 2015, whereby a maximum of 5 payments could be used to contribute towards infrastructure improvements on larger schemes. Also, the level of CIL charges proposed struck an acceptable balance in terms of the viability of schemes progressing.
- CIL rates would be non-negotiable, which should help speed up the process of the receipt of contributions. CIL monies could be used to fund infrastructure improvements required by the Council anywhere in the Borough. However, Section 106 would still apply to those larger schemes which required site-specific infrastructure improvements (ie. new schools, highway improvements etc.).
- CIL would be regularly monitored by the Planning and Development Committee, and the Audit Committee would be used to monitor CIL on a retrospective basis. CIL performance would also be added to the Executive's Performance Monitoring indicators.

Council Tax Support Scheme

The Assistant Director (Finance and Estates) reminded Members that she had informed the Committee in March 2018 that the existing software was not robust enough to bring about the introduction of a new scheme for 2019/20 based on claimants' income bands. Hence further modelling would be required with the aim of operating a new scheme for 2020/21. In the meantime, it was proposed that the existing (2018/19) scheme would remain operational for 2019/20, and would form an additional recommendation in the Budget report in January 2019.

General Fund Medium Term Financial Strategy 2018/2019 to 2022/2023

The Assistant Director (Finance and Estates) reminded Members that the Council had a significant savings target of £2million over the next 3 years. In 2021/22 the Council will be in a position of minimum balances, and so a contribution to balances will be required in this year. The financial forecast in the report was on the assumption of 2.99% per year Council Tax increase. There would be a need to consider the prioritisation of services in order to contribute towards the savings target.

In reply to a question, the Assistant Director (Finance and Estates) confirmed that the Leader's Services Financial Group would be considering potential savings for the next 3 financial years, even though the annual General Fund/HRA budget only contained one year's information.

1st Quarter Revenue Monitoring Report 2018/2019 – General Fund and Housing Revenue Account

The Assistant Director (Finance and Estates) advised that the major adverse variance in the General Fund of £105,000 was due to a reduction in the sale price

for recycled paper. One of the most significant variances in the Housing Revenue Account related to rent variances due to out of management properties and the timing of stock acquisition.

The Assistant Director (Finance and Estates) referred to the peppercorn rent issue set out in Paragraph 4.2.8 of the report, and the fact that the Leader had requested that officers take further steps to secure higher rent levels from Registered Social Providers.

In response to questions, the Assistant Director (Finance and Estates) commented:

- The minimum investment rating for organisations that the Council invested in as part of its Treasury Strategy was AA.
- The Council's investment portfolio assumed an annual increase in the Bank of England base interest rate of 0.25%.
- The works to the St. George's Multi-Storey Car Park entailed refurbishment works carried out and funded by the Council, followed by new cladding works to the elevation facing the Park Place Development, the funding for which would be provided by the Park Place developer.

1st Quarter Capital Programme Monitoring Report 2018/2019 – General Fund and Housing Revenue Account

The Assistant Director (Finance and Estates) drew attention to slippage on the General Fund Capital Programme relating to the re-profiling of vehicle replacements and Town Square Improvements.

The Assistant Director (Finance and Estates) confirmed that works had been carried out to boilers at both Springfield House and St. Nicholas Community Centre.

The Committee noted that the potential figure at risk of repayment of Right to Buy receipts to the Government had increased to £336,000, given the tight restrictions on use, particularly when land assembly and other elements were required to bring forward more complex sites.

Annual Treasury Management Review of 2017/18, including Prudential Code

The Assistant Director (Finance and Estates) drew attention to the cash balances (as at 31 March 2018) pie chart tabled at the meeting, which was a clearer representation of the pie chart set out in Paragraph 5.7.3 of the original report to the Executive.

The Committee noted an additional resolution agreed by the Executive that the provisions of the Sustainable Communities Act 2007 be invoked to call upon the Government to share with the Council information it had on Brexit and its impact on Stevenage.

Corporate Performance – Quarter One 2018/19

The Assistant Director (Corporate Services and Transformation) drew attention to

the new suite of performance indicators for 2018/19, and explained that, for Quarter One, 40 indicators were at green status; 2 were at amber; and 11 were at red. Officers had focussed on the 3 red indicators relating to the Future Town, Future Council (FTFC) Programme (namely homelessness; Customer Service Centre; and sickness absence management), and had authorised improvement plans for these areas.

Members asked a number of detailed questions on the report which were answered by officers.

The Committee acknowledged the Executive's suggestion that it brings forward its planned consideration of staff sickness. The Chair agreed to liaise with the Scrutiny Officer with the aim of revising the Committee's Work Programme to bring forward this item, ideally before the end of 2018.

It was **RESOLVED** that the following Part I decisions of the Executive are noted:

- Minutes – Overview and Scrutiny Committee and Select Committees
- Community Infrastructure Levy (CIL)
- Council Tax Support Scheme
- General Fund Medium Term Financial Strategy 2018/2019 to 2022/2023
- 1st Quarter Revenue Monitoring Report 2018/2019 – General Fund and Housing Revenue Account
- 1st Quarter Capital Programme Monitoring Report 2018/2019 – General Fund and Housing Revenue Account
- Annual Treasury Management Review of 2017/18, including Prudential Code
- Corporate Performance – Quarter One 2018/19

4 URGENT PART I DECISIONS AUTHORISED BY THE CHAIR OF OVERVIEW AND SCRUTINY COMMITTEE

None.

5 URGENT PART I BUSINESS

None.

6 EXCLUSION OF PRESS AND PUBLIC

It was **RESOLVED**:

1. That under Section 100(A) of the Local Government Act 1972, the press and public be excluded from the meeting for the following items of business on the grounds that they involved the likely disclosure of exempt information as described in paragraphs 1-7 of Part 1 of Schedule 12A of the Act, as amended by SI 2006 No. 88.
2. That having considered the reasons for the following items being in Part II it be determined that maintaining the exemption from disclosure of the information contained therein outweighs the public interest in disclosure.

7 PART II DECISIONS OF THE EXECUTIVE

This report had not been circulated to Members five clear days before the meeting nor had it been made available for public inspection. The Chair determined however that given the short time left before the end of the call-in period on 14 September 2018 it be considered on this occasion.

Members asked a number of detailed questions about the report which were answered by officers.

It was **RESOLVED** that the following Part II decisions of the Executive are noted:

- Part II Decisions of the Executive – 11 July 2018
- Town Centre Regeneration – Regenerating Queensway North

8 URGENT PART II DECISIONS AUTHORISED BY THE CHAIR OF THE OVERVIEW AND SCRUTINY COMMITTEE

None.

9 URGENT PART II BUSINESS

None.

CHAIR

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Meeting Executive

Portfolio Area Housing, Older People & Health / Resources

Date 3 October 2018



THE FORMATION OF A WHOLLY OWNED HOUSING DEVELOPMENT COMPANY – CONCEPT AND HIGH LEVEL BUSINESS CASE OBJECTIVES APPROVAL

KEY DECISION

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LEAD/CONTACT OFFICERS – AS ABOVE

1 PURPOSE

- 1.1 This report sets out a high level business case for the establishment of a Wholly Owned Company (WOC) that will complement the Council’s existing and future property development activity.
- 1.2 This business case for the WOC is a natural development of the Council’s existing development activity and helps to de-risk development projects that by their nature are affected by wider economic conditions. The proposed WOC is seen as complementing the Council’s existing housing development plans, and in no way will it act as a substitute or provide competition to those plans.
- 1.3 Whilst being a natural addition to the Council’s development practices the creation of the WOC also achieves a number of other purposes. These purposes form the corner stone of the business case for establishing a WOC that members are asked to endorse. Once created, a “housing” WOC will have the ability to purchase, own, develop, sell and rent homes in the private sector at market rents & prices. This is in order to improve the supply of quality homes in the market rent segment in Stevenage. In the first phase of

schemes, the WOC will only purchase homes built out by the Council's Housing Revenue Account (HRA) and General Fund (GF) development arms.

- 1.4 The structure of the WOC will ensure the Council will retain overall control of the WOC's activities as well as setting the WOC's strategic direction (Appendix 1 gives a diagrammatical illustration).

2 RECOMMENDATIONS

- 2.1 That the business case, as outlined in this report, be approved, and that the principle of establishing a Wholly Owned Housing Development Company (WOC), for the purposes detailed in the report, be supported.
- 2.2 That a report be brought to a future Executive comprising a fully costed financial projection of the WOC's operational activities and a Business Plan, prior to the WOC commencing trading.

3 BACKGROUND

- 3.1 Members will be aware that many Councils have set up, or are investigating setting up local housing companies to develop housing. Recent estimates suggest there are as many as 150 local housing companies in England (Delivering the renaissance in council-built homes: the rise of local housing companies, Smith Institute, 2017). However whilst 150 companies may have been set up, there are suggestions that some Councils are unclear about the objectives and the operating parameters of these companies and therefore they are not all operational. Given that no Council or community is the same it is important that Stevenage establishes its own sound reasons for creating a WOC that best serve the Council and local community.
- 3.2 Amid a backdrop of evolving government policy relating to housing, Stevenage Council has sought advice from Solicitors (Trowers & Hamblins), Development experts (Ethixl LLP) as well as Tax experts (Grant Thornton) regarding the viability and most appropriate company proposals for Stevenage Council.
- 3.3 The outcome of the advice and research was that whilst Stevenage Council has the power to directly develop housing for affordable/social rent and in certain circumstance for direct market sale, it cannot develop housing directly for the private rented market as landlord. In order to be able to do this it must first establish a company. It is proposed that in order for the Council to retain control, that this is a wholly owned company or WOC and that the primary purpose behind the Council operating in this market segment is to generate profits through operating a quality service. The profits can then be used by the Council for its own purposes.
- 3.4 This evolution to the Council's approach to housing development has continued since 2015 when targets to build 300 affordable homes by 2021 and 2000 homes over the life of the 30 year HRA business plan were set. In support of this aim, the development programme started by delivering open market acquisitions. The next stage was to acquire new build stock and develop new build housing through the Council's own HRA design and build schemes. Finally, the latest council schemes involve the GF and HRA jointly

(but with segregated and apportioned costs) developing schemes for private sale as well as for affordable and social rent. This forms part of a balanced portfolio that maximises returns, achieves the most affordable housing and is a benchmark for quality in both markets (Social & Private).

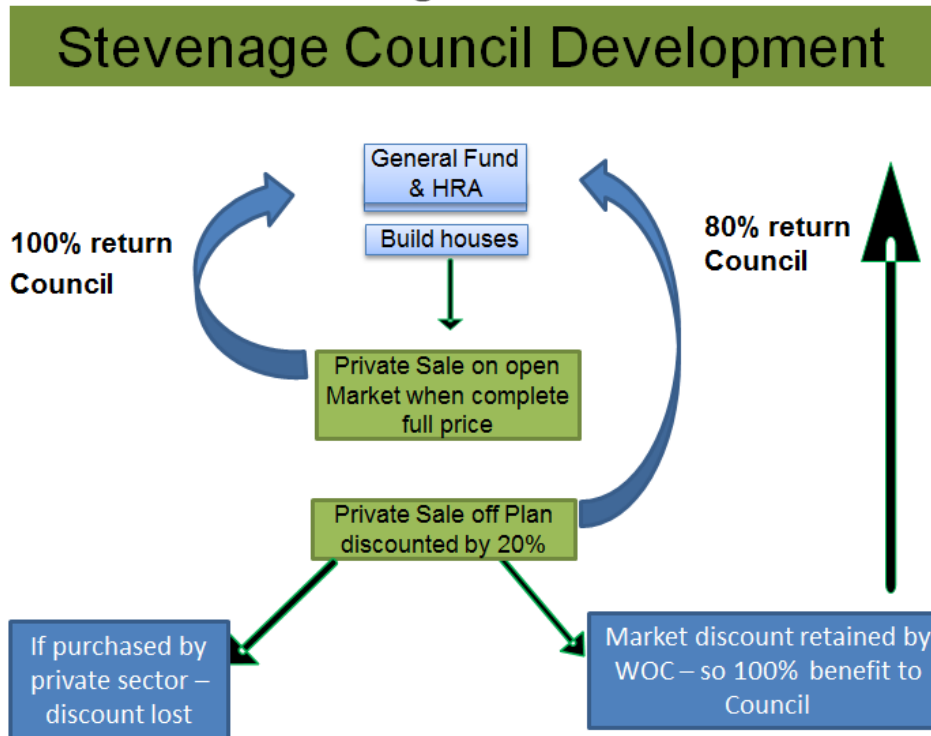
- 3.5 An important point to note is that the Council is already able to develop and sell housing for affordable rent and, provided it is necessary to cross subsidise the social/affordable rent, private sale as well. The Council does not have the power to directly develop and own properties to be let at market rent. This would be regarded as a commercial purpose and would be required to be carried out in a company. The creation of a WOC would therefore allow the Council to develop and purchase property for the specific purpose of renting out at market rates.

Background: Stevenage Local Context & existing development

- 3.6 The Council has a strategic housing duty to provide affordable housing and also to have a view on the supply of housing in the borough. The local plan requires 7,600 homes to be built by 2031 with a need for new housing across all types and tenures, including aspirational homes. The council's Housing Operations team also notes that there is a substantial shortfall in good quality private rented stock. This clearly points to their being gaps in the housing market where Council intervention either at a strategic or operational level is justified.
- 3.7 In response to growing local housing need and also a financial necessity to sustain the HRA Business Plan, the Council has already established an affordable housing development plan (Dec 2014). This has delivered over 140 affordable homes since its inception with a very limited number (thus far only five) being developed for outright homeownership to provide cross subsidy for the HRA's social purpose activities.
- 3.8 Amongst other things, a desire to maximise the return from its assets has prompted the Council to establish an Asset Management Plan (AMP) that tries to make the most of its assets. Where appropriate, this involves trying to generate a developer uplift and the premium that arises from a new build property as part of an array of options that previously simply involved land disposal. Clearly the AMP will always balance the capital needs of the Council and navigate an appropriate split between properties that are developed, and land that is sold.
- 3.9 At present, homes developed in the HRA are considered for possible private sale as a matter of necessity to provide cross subsidy to schemes and programmes that would otherwise not be financially viable. In both of these instances the HRA and GF can only consider homes for private sale as a means of generating additional capital funds.
- 3.10 In developing homes for private sale the General Fund and HRA can utilise the option of *off plan selling*. This is the practise of selling, at a discount on the market price in exchange for a firm commitment to purchase. The market price, in line with market practices, for such purchases is lower than the sale of a home that is agreed when the property is fully built out. At times, *off plan selling* can require a discount of up to 20% of the market price. Developers

weigh up the benefit of a discount against the added development risk of marketing all the homes at once.

- 3.11 At present any home that may be developed by the HRA or the GF that is sold on the open Market as *off plan* would result in a reduced price benefiting the private purchaser. However, through the creation of a WOC the Council's development programmes could ensure that this *off plan* subsidy remains within the WOC (to the benefit of Stevenage Council) and also that properties can be offered at a Market Rent. The graphic below illustrates this principle.



- 3.12 It is not permissible for either the GF or the HRA to develop homes that are for market rent because that would be regarded as pursuit of a commercial purpose. As this can only be done through a company, the creation of a WOC is seen as essential in retaining the *off plan* market discount. Furthermore, the creation of a WOC will allow the diversification of the Council's exposure to housing development to more market segments which helps to mitigate development market risk.
- 3.13 It has been confirmed, through independent legal advice, that local authorities have the power to create WOC's for this purpose under the Localism Act 2011 and are required to do so for activity which is undertaken for commercial purposes.

Objectives of the WOC – The Business Case

- 3.14 In addition to complementing the Council's existing development practises and reducing the development risk there are other reasons and objectives for the Council to develop housing outside of the HRA/GF. These principally center around the external financial pressures on the Council to be more commercial and maximise alternative sources of income.

- 3.15 Therefore the purposes of creating a WOC will be as follows:
1. The WOC will increase the supply of market rented housing in the sector.
 2. It will maximise the Council's financial returns including interest payments on loans made to the Company and the payment of dividends. The Council also expects the Company to repay the initial debt and any equity investments.
 3. It will maintain the design, upkeep and look of the schemes that are central to the regeneration priorities for the Council's administrative area.
 4. It will encourage economic activity and regeneration in local areas that result from construction activity in the local economy and offer a stable market tenure providing longevity, certainty over management and therefore security.
 5. Diversify the Council's development portfolio to allow it, through a WOC to hold stock that is other than social or affordable rented.

The objectives set out in 3.15 are clear and will correspond with the Business Plan for the schemes that will be brought before this committee for approval at a later date.

- 3.16 It should also be noted that the WOC will give the Council a separate legal entity that can be flexed in alternative routes in the future should the business case or need arise as a result of new opportunities or challenges the Council is facing.
- 3.17 As a separate legal entity the WOC's structure and operating behaviour needs to be clearly set out. Furthermore, the control the Council would have over it also needs to be considered. Following legal advice, it is proposed that the WOC is a limited company, with all shares owned by the Council. This would give the Council complete control on the strategic direction of the WOC and who its key personnel are.
- 3.18 The WOC would likely operate with a small board of 2 or 3 Directors, comprising existing Council officers to be appointed by the Chief Executive. The WOC would not employ staff directly, as its operational requirements would be met through a series of contracted out arrangements (service level agreements) with existing Council services, or external providers. The Council's Development team would support the WOC on a time charged basis. This will allow the WOC to operate a low cost and efficient structure; this is further explained in 3.23.
- 3.19 Given that the identified schemes for the WOC's operations will be schemes where there is a GF and HRA investment lead, the Council should be assured that oversight on aspects such as programme, design and tenure would have already been exercised by members through the Housing Development Committee or member consultation, and the Capital Strategy approval process. However members would have additional scrutiny and control on decision making through the appointment of a Shareholders

representative as an addition to the Board of Directors referred to above in 3.18.

Stevenage Council Control over the WOC

- 3.20 Where the WOC (as a separate entity) will need its own policies and procedures it is proposed that the WOC adopt the Council's policies and this would therefore avoid any potential reputational risk or divergence and possible conflicts. This, along with the fact that Members will have influence via the appointment of a Shareholder representative, ensures the Council will retain full control over the WOC. The CEO will bring forward governance proposals with the full Business Plan as it is essential that there is complete confidence in the WOC to operate as per its objectives.
- 3.21 Whilst Directors of the WOC have a duty to act in the interests of the Company, even if there is a conflict with the Council, given the manner in which development schemes will arise, the approval process and the ethos of what is proposed it is unlikely that any conflicts will exist. However this is something that would need to be kept under review and appropriate measures will need to be put in place to ensure that any conflicts which do arise are managed appropriately. As the sole shareholder of the WOC the Council will be able to protect its interests by changing and adding to the Directors as it sees fit.
- 3.22 The WOC will require its own Articles of Association (constitution of the WOC) and a Shareholder Agreement (protecting the Council's interest as sole shareholder of the WOC) and if the Business Case for the WOC is approved it is proposed that delegated authority be given to the Chief Executive to instruct legal advisors Trowers & Hamlins to prepare these in draft form for the Executive's approval before the Company is established and begins trading. A budget of £25,000 had already been established in the 2018/19 capital programme to facilitate costs incurred in company research and set up this may be added to as the need arises.
- 3.23 At this stage it is envisaged that the WOC will in the first instance seek to procure the majority of the services it requires through internal departments. Specifically this includes Accountancy Support, Repairs, Maintenance and Housing Management. The only mandatory external service will be the lettings service, so as to clearly define a separation of the Council's affordable duties through the HRA and its commercial lettings arm operating through the WOC. Appendix 2 lists the services to be utilised by the WOC, subject to procurement process and any exceptions on service standards that may apply.
- 3.24 The WOC would be subject to corporation tax on the profits it generates from trading, the financial modelling for the business plan would seek to legitimately minimise any tax incurred by the WOC.

4 THE BUSINESS PLAN AND POST DECISION IMPLEMENTATION

- 4.1 A full detailed business plan with financial projections and cash flow implications is being prepared to be brought to a future meeting of the

Executive. At this juncture it is important to explain some key aspects about how the WOC will be financed and how the Council's returns will arise.

- 4.2 The proposal is to fund the WOC through a mixture of loan debt and equity investment from the General Fund. From both a taxation and State Aid perspective the mix of debt and equity needs to reflect a commercial approach. The WOC will then trade by purchasing housing schemes to rent at market rate levels. The types of returns generated are detailed below in para 4.5 General Fund Returns, however the priority of these returns, in the first instance, is to satisfy the costs and liabilities the GF has encountered in set up, rather than these being spent on new activities.
- 4.3 The WOC will be created as a new Council owned legal entity and Council officers will work with the consultant team of experts to devise the best legal and operational structure for the company to lawfully minimise liabilities and risk. These will be demonstrated in the Business Plan.

Three potential projects have already been identified as possible intervention projects for the WOC to enable modelling. These include the Council led schemes at Ditchmore Lane, 12 North Road (Subject to Planning) and a further Local Plan (STP). Rather than the full allocation of the private sale units on these schemes being sold to the private market it is proposed that the WOC would purchase a total of 25 apartments from these three schemes to let at market rents.

General Fund Returns

- 4.4 The General Fund is anticipated to receive three different types of return from the WOC and some ancillary benefits through increased business opportunities for its in-house services :

Interest on the loan to the WOC - This will generate a surplus for the General Fund of the difference between the rate it borrows the money for and the mandatory commercial rate it charges the WOC.

Dividends - These are entirely dependent on the profitability of the WOC. Should the WOC have surpluses it would be in a position to pay these to the Council after the WOC had properly accounted for any corporation tax payable on those profits.

The return/repayment of the initial debt and equity investments –At any given point the WOC would be able to sell the properties it holds and rely on the equity generated to pay the initial debt back along with any rise in capital value.

Ancillary business opportunities: Service commissioning or tendering

The WOC will operate in the new build private rentals market. The services it commissions to administer, repair and manage these properties will need to be procured. It is the intention that to begin with existing council services will bid for this work on a commercial basis and therefore make a small but reasonable return for the Council on the fees that they charge the WOC.

- 4.5 The Council will make a return on its investment in the WOC. However, there may be periods where the impact on the General Fund bottom line is negative as costs are greater than revenues. Further detailed work is required on this to identify the years in which this situation may arise and what mitigation can be placed on this, including the use of allocated reserves.

5 RISK MATRIX

- 5.1 Clearly the establishment of the WOC and operating in the Private Rented Housing Market brings new risks that the Council's Housing delivery teams will need to manage. However if the operation of the WOC is not seen in isolation to the Council's existing plan for developing in the HRA and the General Fund, then the diversified portfolio of housing development operations can be seen as a measure that more evenly spreads the council's exposure to major development risks such as market slow down.
- 5.2 The WOC will operate a risk register which will be reported regularly to the Board of Directors and annually to the Council. The risk register will include mitigation measures as part of the operational processes of the WOC's business.

The following risk categories have been compiled using Treasury Guidance (Public Sector Business Case, using the Five Case Model, Green Book Supplementary Guidance on Delivering Public Value from Spending proposals) and are likely to form the basis upon which the WOC's risk register will be compiled. Not all elements may be regarded as necessary as to begin with the WOC will only purchase off plan, pre designed homes from Stevenage Council.

Risk Area	Risk	Mitigation
Business risk	The risk that the WOC cannot meet its business imperatives.	The Business Plan will be scenario tested for resilience
Construction risk	The risk that the construction of properties is not completed on time, to budget and to specification thus impacting on, amongst other things, repayment obligations.	Resilience to Business Planning and good project management will be key to accurate forecasting
Decant risk	The risk arising in circumstances where occupants of properties need to decant.	An appropriate form of tenancy will be used to protect the Council's possession rights.
Demand risk	The risk that demand for the properties does not match the levels planned, projected or assumed and thus adversely impacting on cash flow projections.	A small number of homes in high demand locations are being proposed

Design risk	The risk that design cannot deliver the housing to the required performance or quality standards.	Reputable consultant team appointments along with sound project management
Economic risk	Where the project outcomes are sensitive to economic influences. For example, where actual inflation differs from assumed inflation rates.	Stress testing the business plan to varying economic changes and building in resilience
Environment risk	Where the nature of the project has a major impact on its adjacent area and there is a strong likelihood of objection from the general public.	Pre-application planning advice and careful stakeholder engagement
Funding risk	Where project delays or changes in scope occur as a result of the availability of funding. Also, where finance is unavailable on suitable terms.	The programme proposed for the Business Plan will have identified funding
Legislative risk	The risk that changes in legislation increase costs. This can be sub-divided into general risks such as changes in corporate tax rates and specific ones which may affect a particular project.	Horizon scanning and financial resilience to such changes will be incorporated in to financial modelling
Maintenance risk	The risk that the costs of keeping the properties in good condition vary from budget.	Historical data and professional forecasting will improve accuracy
Occupancy risk	The risk that a property will remain untenanted and thus adversely impact generally on cash flow projections and loan repayment terms in particular.	A robust and active marketing strategy with high demand property selection
Operational risk	The risk that operating costs vary from budget, that performance standards slip or that services cannot be provided. Also, the risk that unforeseen events impeded the ability of the WOC to function. This could include natural disasters or crime such as computer hacking.	Appropriate corporate governance and resilience management frameworks will be applied
Planning risk	The risk that the implementation of a project fails to adhere to the terms of planning permission or that detailed planning cannot be obtained, or if obtained, can only be implemented at costs greater than in the	Sound project management and use of professional services will be used

	original budget.	
Policy risk	The risk of changes of policy direction not involving legislation – local or central.	Risk areas will be identified and managed
Procurement risk	Where a contractor or service provider is engaged, risk can arise from the contract between the two parties, the capabilities of the contractor, and when a dispute occurs.	A procurement strategy that minimises risk will be used in line with SBC protocols
Regulatory risk	Changes in the regulatory environment impose costs which have not been foreseen and accounted for in the Business Plan.	A contingency budget will be planned for
Reputational risk	The risk that there will be an undermining of customer/media perception of the organisations ability to fulfil its business requirements e.g. adverse publicity concerning an operational problem.	An active media, including social media marketing strategy will be implemented
Residual Value risk	The risk relating to the uncertainty of the value of the properties.	Qualified valuations and professional forecasting will be used
Technology risk	The risk that changes in technology result in services being provided using non-optimal technology.	This is unlikely to apply to the residential lettings market

6 REASONS FOR RECOMMENDED COURSE OF ACTION AND OTHER OPTIONS

- 6.1 Whilst there is a recognised need to increase the supply of all housing types in Stevenage to meet the growing needs of the circa 85,000 households the Council could adopt a risk free, do nothing approach and leave the situation to the private housing market and housing associations to resolve. However, it is clear that this would result in higher house prices, lower standards of quality and choice as well as a shortage in supply. The council would also miss out on a commercialisation opportunity to generate income and offset delivery risk in its other housing programmes.
- 6.2 The creation of the WOC is seen as a measured risk initiative that if delivered correctly and in phased approaches, will ensure that the Council's overall risk positioning in respect to housing development is better balanced rather than worsened.

- 6.3 Consultation at this stage has been informally with Portfolio Holders and Members of the Housing Executive. Full public consultation will take place on all development schemes as part of the planning process and separated development consultation.

7 IMPLICATIONS

Financial Implications

- 7.1 There are clear financial implications. Some of the proposed schemes that will form part of the business plan and development pipeline have already been allowed for in the Capital strategy. However, agreement to deliver new schemes and take on additional Council borrowing will need to be measured against the returns generated and balanced with other Council priorities.

Legal Implications

The Council has powers to form a WOC under section 1 of the Localism Act 2011. This provides that the Council can do anything that an individual can do, provided it is not otherwise prohibited by any existing law. If a local authority uses this power for a commercial purpose, as is proposed here, section 4 of the Localism Act requires the council to use a company. The creation of the WOC to hold the market rent housing would satisfy this requirement. Regulation 2 of The Local Government (Best Value Authorities) (Power to Trade) (England) Order 2009 is also potentially relevant here as the establishment of a company to let market rented dwellings is likely to be regarded as trading. The 2009 Order requires that the council must prepare and approve a business case before establishing a trading company. This report sets out the business case for approval.

The report confirms that it is the intention for the Council to borrow with a view to on-lending to the WOC to facilitate the purchase of the properties once developed and that this will be a mixture of debt and equity. The Council has power to borrow for the prudent management of its affairs or in furtherance of its functions under section 1 of the Local Government Act 2003 and has a power to invest (for the same purposes) under s12 of the same act. When undertaking borrowing and investment the Council must have regard to the statutory guidance on investments issued by the Secretary of State. Amongst other things, this guidance prohibits a local authority borrowing in advance of need purely to make a profit. It also requires that a local authority consider the place making and service delivery objectives associated with the borrowing and investment.

Legal implications arising as a result of State Aid, the duty to obtain best consideration for land transfers, and procurement protocols will need to be addressed as part of the advice from Trowers & Hamlin that will accompany the Business Plan.

Planning Implications

- 7.2 The WOC will be in the first phase of its operation purchasing off plan homes. It is unlikely therefore that any adverse planning issues will arise.

Other Implications

- 7.3 **Constitutional:** responsibilities and functions of the WOC relating to policy and governance arrangements will be reported as part of the final Business Plan

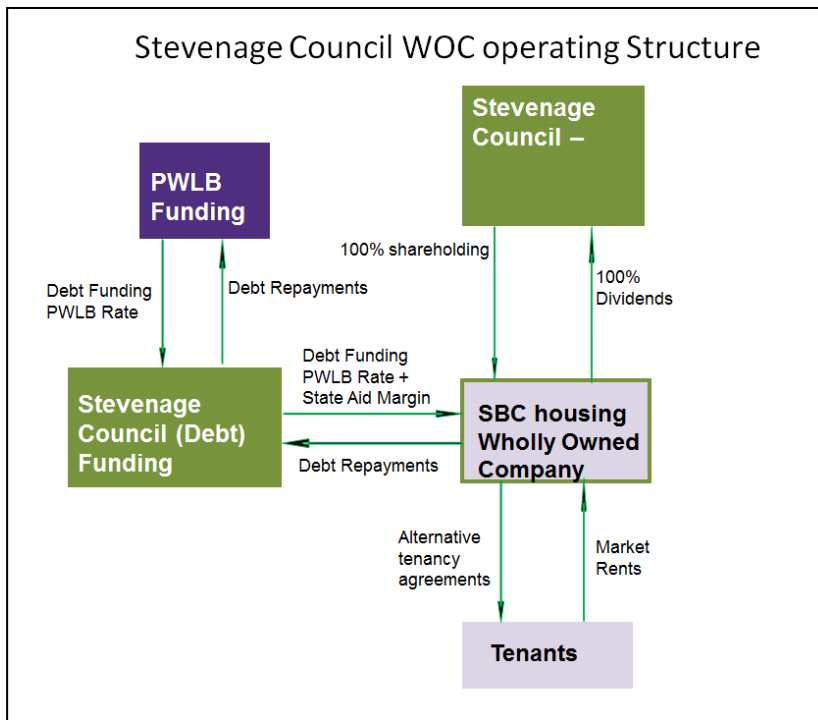
Equalities and Diversity Implications

- 7.4 The proposals in this report anticipate a positive impact from residents and do not raise any negative equalities issues because the creation of a housing WOC will add to the supply of housing available to our residents that live in and are from diverse communities. A full EIA will be completed for the Business Plan and on a scheme by scheme basis for the development programme.

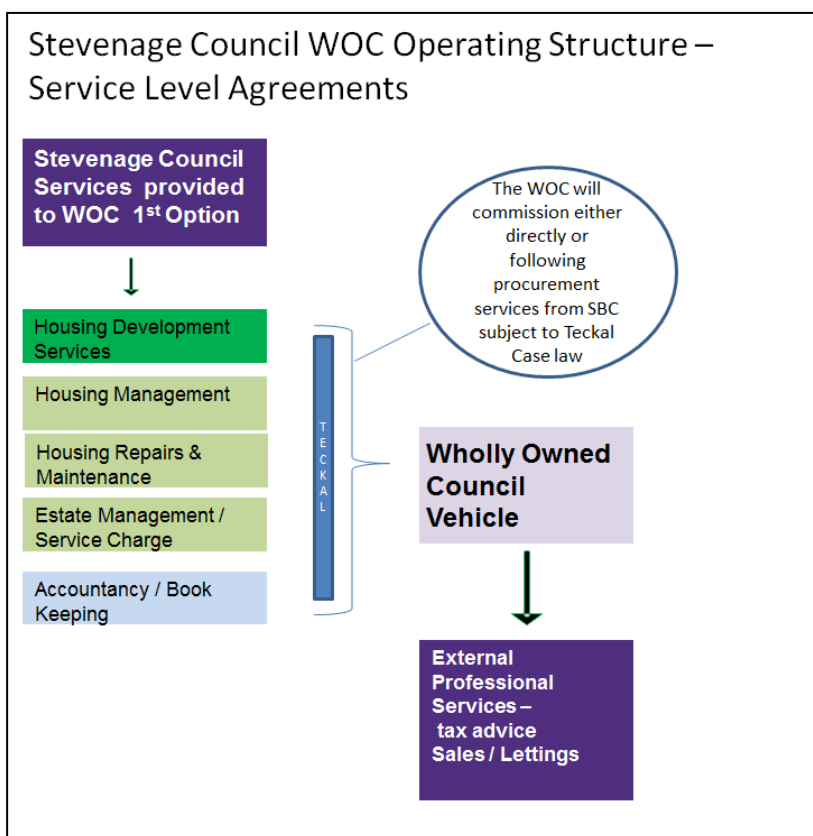
APPENDICES

- 1 Stevenage Council WOC Operating Structure.
- 2 Stevenage Council WOC Operating Structure – Service Level Agreements.

Appendix 1



Appendix 2



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