

Cabinet report



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Establishment Of A Local Housing Company

Name of Cabinet Member	Councillor Nigel Long Cabinet Member for Housing and Regeneration
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Exempt / confidential / not for publication	No
Council Plan reference	3.5
Wards affected	All wards

Executive summary

A local housing company (LHC) would offer the council additional flexibilities in its housing offer to residents, and set a “good landlord” standard to positively influence other providers of housing. Nominations to LHC housing would provide another route through which the council could discharge its Homelessness Reduction Act duties and reduce the costs of temporary accommodation.

There are few significant implications of a LHC being a direct (wholly owned) subsidiary of the council, or of being a subsidiary of another council-owned entity. To reinforce the commercial nature of a LHC, and to ensure synergies are achieved in the use of potential housing sites, it is recommended that the board of Milton Keynes Development Partnership (MKDP) be requested to establish a LHC with support from the council. MKDP is a Limited Liability Partnership (LLP) wholly owned by the council.

1. Decision/s to be made

1.1 That the Board of the Milton Keynes Development Partnership (MKDP) be requested to explore the opportunity to establish a local housing company, identify an appropriate delivery model, and submit a business case for the council's consideration.

2. Why is the decision needed?

2.1 With a projected population growth of 18% between 2015-2026, the demand for present and future housing supply is clear. Plan:MK seeks to deliver a minimum of 26,500 dwellings across the borough by 2031 to meet this population growth. Council Plan Objective 3.5 is that we "*Investigate establishing a disruptive council-owned housing company to deliver 2000 new truly affordable homes for local families by 2023*". The disruptive impact of a LHC would be as a result of its intervention in the market, setting a "good landlord" standard which would be visible as an exemplar and generate pressure for other public-sector and private housing providers to emulate.

2.2 Many other local authorities have already established LHCs with a range of aims, including income generation, expanding local housing markets, improving landlord standards, addressing local affordable housing supply, and (before its abolition) to avoid the cap on LAs' housing borrowing.

3. Implications of the decision

Financial	✓	Human rights, equalities, diversity	×
Legal	✓	Policies or Council Plan	✓
Communication	×	Procurement	×
Energy Efficiency	×	Workforce	×

3.1 Legal implications

3.1.1 The Council has a number of powers available allowing it to trade commercially through a company structure, as a LHC would be doing, including sections 1 & 4 Localism Act 2011. As an LLP, MKDP cannot itself trade as a LHC.

3.1.2 The Local Government (Best Value Authorities) (Power to Trade) (England) Order 2009 requires that the council prepare and approve a business case before trading through a company. A business case could be drafted for the council's consideration by MKDP.

3.2 Financial implications

- 3.2.1 A LHC's investment requirements could be funded by borrowing from the council. Loans to a LHC (which would require appropriate amendments to the Treasury Management Strategy) would be at commercial rates, which would generate returns for the Council above its cost of borrowing. Approvals for lending to a LHC would be based on the initial Business Case and then through the council's normal capital governance framework.
- 3.2.2 There are risks of financial leakage through a LHC's liabilities for Corporation Tax, VAT, and Stamp Duty Land Tax, which will need to be mitigated and minimised.
- 3.2.3 A LHC would (whether owned directly or indirectly through MKDP) be included within the council's group accounts.

3.3 Other implications

- 3.3.1 The Business Case requested from MKDP should cover the other implications for the council of establishing a LHC, including proposals for its governance, risk management, communications, procurement, workforce, and IT.
- 3.3.2 The government has previously announced its intention to police LHCs where it considers that it is "council housing in disguise" (e.g., where the rationale is principally to avoid the Right To Buy) though has to date taken no action (which would be to direct that the housing be taken into the Housing Revenue Account). The principle objective of a LHC being to generate financial returns will mitigate this risk.

4. Alternatives

- 4.1 The option of not setting up a LHC has been considered. Because this would not address the target set out in the Council Plan Objective, would not increase the flexibility with which the council can address current and future needs for truly affordable housing, and would not provide additional routes out of homelessness, this option is not recommended.
- 4.2 Options other than a wholly-owned LHC have been considered (e.g., a partnership with a private sector organisation or with another LA), but since it would be unlikely that such partnerships would be able to be aligned wholly with the Council's objectives, are not recommended.

4.3 Options other than MKDP as the “parent” of a LHC have been considered, and in the interest of maximising synergies with MKDP, are not recommended.

List of background papers

None.