

Scrutiny Committee

7 February 2017

Housing Development Company – Barley Homes (Group) Ltd

Summary

1. In November 2015 the Council approved the establishment of a Housing Development Company, limited by shares, for the purpose of developing housing for sale, private and affordable rent, to be jointly owned by Suffolk County Council, Forest Heath District Council and St Edmundsbury Borough Council.
2. This report considers the general principles of the operation of the Development Company, known as Barley Homes (Group) Ltd.

Objective of the Scrutiny

3. The objective of this scrutiny is to provide the Committee with an opportunity to consider the governance and operation of Barley Homes (Group) Ltd in deriving income for its shareholders through developing housing, including homes for sale, private rent, affordable rent and shared ownership.

Scrutiny Focus

4. The scope of this scrutiny has been developed to provide the Committee with information to come to a view on the following key questions:
 - a) What are the governance arrangements for Barley Homes and how will these arrangements ensure transparency and accountability for local taxpayers?
 - b) What is the company's corporate strategy?
 - c) What analysis has taken place to inform business level strategy?
 - d) How will the company ensure it has corporate capability in place to deliver this strategy?
 - e) What information will be used to inform the choice of sites for development?
 - f) In light of the planning authorities financial interest in Barley Homes, what arrangements will be in place to avoid any potential conflict of interest in the determination of planning applications?
 - g) What will be the arrangements in the event the company makes a loss?
 - h) What can be learned from other councils which have gone down this route?

How does this relate to County Council priorities?

5. This scrutiny is linked to the County Council's corporate priorities as indicated below. All scrutiny items should consider how well they are delivering against the County Council priorities and Suffolk's Community Strategy.

Suffolk County Council's Corporate Priorities	Link to this Scrutiny
Raise educational attainment and skill levels	
Support the Local Enterprise Partnerships (LEPs) to increase economic growth	✓
Maintain roads and develop Suffolk's infrastructure	
Support those most vulnerable in our communities	✓
Empower local communities	✓

6. Having considered the information, the Committee may wish to:
- make recommendations to the Cabinet;
 - make recommendations to the Cabinet Member for Finance and Heritage and/or Assistant Director, Corporate Property;
 - make recommendations to the Suffolk County Council representatives on the Barley Homes (Group) Ltd Board;
 - identify topics which may warrant further scrutiny or request further information.

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Background

- On 10 November 2015 a report by the Director of Resource Management invited the Cabinet to establish a commercial company limited by shares for the purpose of deriving profit through developing housing, including homes for sale, private rent, affordable rent and shared ownership.
- The Cabinet recognised that Suffolk County Council was facing significant reductions in government grant funding and so was looking to be more innovative and commercial in addressing its revenue shortfalls, whilst also addressing local issues. The Council had surplus land which could, subject to satisfying property disposal requirements, be made available to a jointly owned commercial housing company. The Cabinet heard that, based on current analysis, establishing a housing development company would contribute towards generating revenue and capital income at a greater level than simply selling the surplus land assets.
- The Cabinet agreed to approve the creation of a Housing Development Company, incorporated by shares, which would be jointly owned by Suffolk County Council (50% of shares), Forest Heath District Council (25% of shares) and St Edmundsbury Borough Council (25% of shares);
- A Shareholder Advisory Group would be established with the purpose of advising each Council when exercising its role as Shareholder. Cabinet approved the composition of the Company's Board of Directors to include one director each

from Forest Heath District Council and St Edmundsbury Borough Council, two directors nominated by Suffolk County Council, and up to an additional three independent directors appointed over time by the unanimous decision of the Shareholders;

11. Cabinet delegated authority to the Leader of the Council to appoint the Suffolk County Council representatives to the Housing Development Company Board and the Shareholder Advisory Group representatives;
12. Authority was delegated to the Director of Resource Management acting in consultation with the Cabinet Member for Finance to agree;
 - a) the details of the Memorandum and Articles of Association and the shareholder agreement (having regard to the need to ensure that the Council's interests are safeguarded in agreeing voting rights),
 - b) the name of the Company, and
 - c) the process of incorporation.
13. Cabinet agreed to delegate authority to the Director of Resource Management, acting in consultation with Cabinet Member for Finance and Heritage, to provide the Company funding through state aid compliant loans. This, in principle funding, was subject to the approval of a business plan by shareholders.
14. The five year business plan was approved by the County Council's Cabinet on 13 December 2016, at which time Cabinet also agreed a £6m revolving investment facility, which would be added to the Council's capital programme and financed from borrowing.
15. The Cabinet agreed to delegate authority to the Director for Resource Management, acting in consultation with the Cabinet Member for Finance and Heritage to:
 - a) issue equity and loan funding from the revolving investment facility subject to state aid requirements;
 - b) be authorised to negotiate and agree the terms of such loans with Barley Homes and the funding and necessary legal agreements, taking into consideration state aid requirements;
 - c) agree the set up of subsidiary companies under Barley Homes (Group) Ltd to deliver the development and investment activities;
16. Cabinet noted the sale of the Council owned land as detailed in the five year Business Plan, with outline planning permission, subject to approval by the planning authority and with Section 123 best value obligations and noted that approval of the business plan would constitute consent for Barley Homes to issue shares and enter into debt financing, in line with the business plan.

Main body of evidence

Evidence Set 1 has been provided by Suffolk County Council's Director of Resource Management in response to the key areas for investigation set out at paragraph 3 above, and is attached to this report.

Invitations have been extended to representatives of Suffolk County Council, West Suffolk Councils and Barley Homes (Group) Ltd.

Glossary

BHG – Barley Homes Group

Supporting Information

Cabinet (10 November 2015); Agenda Item 10; Establishment of a Housing Development Company; Available from:

http://committeeminutes.suffolk.gov.uk/LoadDocument.aspx?rID=09002711819c5634&qry=c_committee%7e%7eThe+Cabinet and Appendix, available from:

http://committeeminutes.suffolk.gov.uk/LoadDocument.aspx?rID=09002711819c5635&qry=c_committee%7e%7eThe+Cabinet