

Report Reference Number: E/21/24

To:	Executive
Date:	11 November 2021
Status:	Non-Key Decision
Ward(s) Affected:	All
Author:	Karen Iveson, Chief Finance Officer
Lead Executive Member:	Cllr Mark Crane, Leader of the Council
Lead Officer:	Suzan Harrington, Director of Corporate Services and Commissioning

Title: Selby District Housing Trust – request for loan funding

Summary: The purpose of this report is to seek approval for additional Programme for Growth funds to explore, with Trust colleagues, winding up of Selby and District Housing Trust following a resolution by the Trust Board to explore this option. Local Government re-organisation has since led to the Council reappraising its approach to housing development and the Medium-Term Financial Strategy approved by Council in July, saw the removal of future planned loans to the Trust. As part of the process consideration will need to be given to the disposal of the Trust's assets and settling of its liabilities. Initial legal advice obtained by the Trust suggests that the Council could, should it wish to do so, acquire the Trust's homes. Further loans funding of £54k has been requested by the Trust to cover the costs of external support and some remedial works to some trust properties. In addition, it is estimated that £50k will be needed to cover the Council's costs. An allocation of £104k is therefore requested from the Programme for Growth contingency. In undertaking this work, officers are mindful of the impacts of Local Government Re-organisation and potential implications for the future housing strategy of the new Council. Discussions will be taken forward through the appropriate LGR workstreams and should other opportunities arise as part of this work then these will be brought forward for consideration.

Recommendations:

It is recommended that:

- i) Subject to a loan agreement between Selby DC and Selby and District Housing trust, a loan of up to £54k be approved to cover the costs of exploring the wind up of the Trust and remedial property works;

- ii) A budget of £50k be approved to enable the Council to work with the Trust to understand the implications of wind up and determine a case for asset acquisition should this be a viable option;
- iii) The SDHT loan and Council costs be met from the Programme for Growth Contingency;
- iv) Authority to enter into a loan to Selby and District Housing Trust be delegated to the Lead member for Finance and Resources in consultation with the Chief Finance Officer and Solicitor to the Council.

Reasons for recommendation

To enable the Trust to undertake some necessary remedial works to its properties; and the Trust and Council to explore winding up of the Trust and bring forward a detailed report and if appropriate, a business case for asset acquisition.

1. Introduction and background

- 1.1** The purpose of this report is to seek approval for additional Programme for Growth funds to explore, with Trust colleagues, winding up of Selby and District Housing Trust following a resolution by the Trust Board to explore this option.
- 1.2** Selby and District Housing Trust was established by Selby District Council in 2013 as a company limited by guarantee and achieved charitable status in 2014.
- 1.3** The drivers for establishing the company were the delivery of more affordable homes in the district using under-utilised sites in the Council's ownership and achieving an income stream for the Council through interest on loans made via the Council's General Fund. The original model envisaged general needs homes being delivered through the Trust and adapted accommodation to be delivered through the Council's HRA.
- 1.4** The model also enabled the Council to apply its housing management infrastructure to manage the homes on behalf of the Trust (through a competitive process) thereby supporting the Council's own HRA.
- 1.5** The initial business case and Affordable Housing Strategy targeted the provision of circa 100 homes over a 5 year period with broadly 50% of the homes delivered in partnership between the Council and Trust. To facilitate this programme, a shared Housing Development Manager was appointed funded 50% by the HRA and 50% by the Trust using revenue grant support through the Programme for Growth.

2. The Report

- 2.1 To date 34 homes have been delivered in partnership with the Council and outstanding loans provided by the Council to the Trust to finance the homes currently total £2.8m:

Scheme	No of Properties	Loan Period Years	Loan Value £	Grant Value £	Loan Outstanding at 31/03/21 £	Interest Payable 2021/22 £
Ousegate	12	30	872,574	301,096	842,462.39	31,145.90
Riccall	5	30	553,225	162,100	515,014.81	18,826.15
Ulleskelf	12	30	1,080,572	-	1,036,145.91	50,561.78
Kirkgate	3	30	201,000	-	205,671.89	8,707.89
St Josephs	2	30	217,091	-	193,922.44	8,363.47
Total	34		2,924,461	463,196	2,793,217	117,605

- 2.2 Rising building and acquisition costs over the last 2 years have frustrated progress on further new builds and with further rises in construction costs expected, viable business cases which achieve the small, targeted return desired by the Council over the payback term desired by the Trust are not possible without significant increase in grant support – support which the Council needs for its own HRA.
- 2.3 Local Government re-organisation has since led to the Council reappraising its approach to housing development and the Medium-Term Financial Strategy approved by Council in July, saw the removal of future planned loans to the Trust.
- 2.4 The Trust has subsequently considered its options and with limited prospects for growing its asset base and becoming self-sustaining, has resolved to explore winding up the organisation. It is expected that this will require approval of the Charity Commissioner and there is a detailed process to follow.
- 2.5 As part of the process, consideration will need to be given to the disposal of the Trust's assets and settling of its liabilities. Initial legal advice obtained by the Trust suggests that the Council could, should it wish to do so, acquire the Trust's homes.

- 2.6** Formal decision making will be required of both the Trust and the Council and a viable business case, supported by an independent valuation, will be needed to ensure best value is achieved.
- 2.7** Should ultimately the Council choose to buy the homes, it is envisaged that these will be taken into the HRA and the cash paid to the Trust will in turn be used to settle the outstanding General Fund loans.
- 2.8** At this stage it is hoped that a final decision report could be considered by full Council in February 2022 but the Charity Commissioner process may delay this.

3. Alternative Options Considered

The detailed report that will follow from the work outline in this report will consider appropriate alternative options.

4. Implications

4.1 Legal Implications

Any new loan to Selby and District Housing Trust will be subject to an appropriate loan agreement. It is proposed that authority to enter into the agreement on behalf of the Council is delegated to the Lead Member for Finance and Resources in consultation with the Chief Finance Officer and Solicitor to the Council.

4.2 Financial Implications

4.2.1 The Trust is reliant upon the Council for funding support to help manage its operations and have indicated that an overdraft facility will be needed to cover the costs associated with the potential wind up. In addition, remedial work to some of the homes is required and further loans funding has been requested. In total an additional loan facility of £54k is proposed.

4.2.2 Taking the latest valuation for the homes against the loans outstanding, there is sufficient headroom to cover this. A drawdown of Programme for Growth funding will be requested to cover this sum along with a further £50k to cover the Council's own costs (subject to quotations).

4.2.3 In total £104k is requested from the Programme for Growth Contingency (which currently stands at £257k).

4.3 Policy and Risk Implications

4.3.1 The proposals set out in this report will allow the Council and Trust to understand the implications of winding up the Trust and options available to bring forward for Board and Council consideration. The proposed increase in loans funding will support this work and enable necessary property works to be completed.

- 4.3.2 Based on the valuation contained in the last available Trust accounts the value of the property assets is £3.25m which is well in excess of the value of loans due to the Council.
- 4.3.3 In undertaking this work, officers are mindful of the impacts of Local Government Re-organisation and potential implications for the future housing strategy of the new Council. Discussions will be taken forward through the appropriate LGR workstreams and should other opportunities arise as part of this work then these will be brought forward for consideration.

4.4 Corporate Plan Implications

Delivery of affordable homes and the Council's work with the Trust supports the Council Great Place to Live and Great Value priorities.

4.5 Resource Implications

The resource requirements are set out in the report – any subsequent actions arising from the work set out in this report will be the subject of a business case and detailed report.

4.6 Other Implications

None

4.7 Equalities Impact Assessment

There are no equality impacts arising from this report.

5. Conclusion

- 5.1 This report seeks support for additional loans funding for Selby and District Housing Trust to enable some remedial works to some of their assets along with resources to enable the exploration of winding up of the organisation. A further report and if necessary, a business case will be brought forward for consideration in due course.

6. Background Documents

None

7. Appendices

None

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