

Lancaster City Council | Report Cover Sheet

Meeting	Individual Cabinet Member Decision			Date	29.07.2021	
Title	Funding for set up of Housing Companies - More Homes for the Bay					
Report of	Director of Communities and the Environment					
Purpose of Report						
To seek approval for the authority to provision funds of £5,000 to Morehomes for the Bay, for the basis of incorporating the companies.						
Key Decision (Y/N)	No	Date of Notice	N/A	Exempt (Y/N)	N/A	

Report Summary
That Council provides a grant provision of £5,000 to facilitate the incorporation of the new Housing LATCos – Morehomes for the Bay (Investments) and Morehomes for the Bay (Development), within initial set-up costs such as directors insurance.

Recommendations of Councillors
(1) That a grant provision of £5,000 be provided to facilitate the incorporation of the new Housing LATCos – Morehomes for the Bay (Investments) and Morehomes for the Bay (Development)

Relationship to Policy Framework	
Corporate Priorities – Happy and Healthy Communities and a Sustainable District. Homes Strategy 2020 – 25 which sets out the key housing priorities for Lancaster district.	
Conclusion of Impact Assessment(s) where applicable	
Climate	Wellbeing & Social Value
Digital	Health & Safety
Equality	Community Safety
The proposals set out in the report should not have any adverse impacts and should have a number of positive benefits once the Latcos are fully operational. This is the first step in that process.	
Details of Consultation	
The establishment of the Housing Latco's form part of the Homes Strategy. A series of consultation events have taken place on the Homes Strategy during the period of 8 th December until 15 th February.	
Legal Implications	
The difficulties with providing a loan to the companies at this stage is explained in the body of this report. The Council is able to make a grant to the companies to cover their start-up costs on the basis that the companies are being set up to promote and improve social housing in the district. This comes within the Council's general power of competence in s1 of the Localism	

Act 2011.

Financial Implications

The £5K grant can be managed from within the amount approved by Cabinet in March 2021 for fees relating to the formation of the LATCo, to be funded from the General Fund Corporate Priorities Reserve. Any officer time continues to be managed from within existing budgets.

The grant will be paid to the companies' bank account, to be opened following incorporation, and appropriate arrangements for payment of the expenses from there will need to be made, along with adequate record keeping for the purposes of consolidation into the Council's group financial statements (see below).

As previously noted, further work is required surrounding a multitude of areas including borrowing rates, service level agreements and exit strategies. This work which will then influence the financial model as it moves forward and allows for a full financial appraisal of purchasing identified properties. These will be considered further in future reports, prior to any further grant or loan being made.

Once the companies have been incorporated, there will be a requirement for the Council to produce group financial statements. This will need to be absorbed into the existing closedown timetable, so that the Council meets statutory deadlines. Consolidation adjustments will be required for each subsidiary company. This may require specialist knowledge, delivered through staff training and additional resources, or external expertise in the early phases.

External audit of the subsidiaries' accounts will need to be completed within an agreed period, to allow the Council's external auditors to place reliance on them. While the companies remain dormant (no significant financial activity), a disclosure note will be the only requirement in the Council's financial statements.

Other Resource or Risk Implications

In order to progress with the ambitions of the Latco's staffing resources and priorities may need to be considered in the future. This will form part of the business plan process.

Section 151 Officer's Comments

The s151 Officer has been consulted and has no further comments to add to those already outlined within the Financial Implications

Monitoring Officer's Comments

The Monitoring Officer has been consulted and has no further comments to add

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Links to Background Papers

- (1) Cabinet Report 27th October 2020 – Options to set up the Housing LATCo
- (2) Cabinet Report 2nd March 2021 – Update on the Housing LATCo LATCo grant agreement.

1.0 Introduction

- 1.1 Following the Cabinet approval on 27th October 2020 to approve the establishment of a Council wholly owned Company, a further update report was provided to Cabinet on 2nd March 2021 gaining approval for the structure of the company resulting in the proposed creation of Morehomes for the Bay (Investments) and Morehomes for the Bay (Developments).
- 1.2 Since October 2020 Officers have worked closely with Trowers and Hamlins LLP and Savills to establish and complete required company paperwork which can be lodged with Companies House, as well as the drafting of the first Business Plan.
- 1.3 The set-up of Morehomes for the Bay including the draft Initial Business Plan is now in its final stages but requires funding for some elements as detailed below in order to be incorporated – it should be noted that this funding is solely for the incorporation and early set-up costs of the companies and further funding either by way of a loan or grant will be required in the early stages of the company being established.

2.0 Proposed details

- 2.1 In the report of 2nd March 2021, agreement had been given for the Council to negotiate the arrangements for a loan of up to a maximum value of less than £100,000 in order to cover the initial operating costs of the company. However following discussions with Finance and Legal services it is determined that funding of £5,000 should be facilitated through the provision of a grant as detailed at Appendix A.
- 2.2 There are legal and financial difficulties with providing the companies with a loan at this stage. The Council cannot lend monies until it has seen a financially robust/viable business plan. As this has not yet been produced and needs some further work, it is thought that the Council's best option is to enter into a grant agreement with the companies to enable setup and to enable the business plan to be produced by the companies.
- 2.3 The grant agreement is possible in these circumstances on the grounds that the Council award of grant is for the purpose of enabling the companies to be set up to explore options for the provision and delivery of affordable housing in the district and to build a business case towards this end.
- 2.4 As per the grant agreement funding would be utilised for the provision of start-up costs only. Details of the proposed set up costs for which the working capital would be used for include (but not limited to):
 - Directors Insurance
 - Administration

3.0 Options and Options Analysis (including risk assessment)

Option 1: That funding of £5,000 be granted to More Homes for the Bay as outlined in the grant agreement.
Advantages: This would allow the effective incorporation of More Homes for the Bay companies. In so doing the Companies will be able to seek to realise its strategic ambitions around increasing affordable housing provision within the Lancaster District.
Disadvantages: The cost of the small grant provision falls to the Council. Further funding either by way of loan or grant will be required to help with the next stages of the companies' activities.
Risks: Some risks that the Companies do not in the future develop viable schemes as outlined / directed within its business plan and therefore funds granted may not produce the outcomes desired.
Option 2: That funding is not awarded as detailed at Appendix C.
Advantages: The Council keeps the finances it would have provided to More Homes for the Bay which could be utilised for other ambitions.
Disadvantages: This would significantly delay or stop the incorporation of the Companies.
Risks: That the Council's ambitions as set out in the recently approved Lancaster Homes Strategy would not be realised.

4. Officer Preferred Option (and comments)

4.1 The officer preferred option is Option 1 – That Officers be authorised to agree the funding of £5,000 via a grant agreement to Morehomes for the Bay to assist with its initial start up costs and delivery of its business.