

<b>Report of</b>	<b>Assistant Director Policy and Corporate</b>	<b>Author</b>	<b>Sean Plummer</b> ☎ 282347
<b>Title</b>	<b>Housing Company – Financing Arrangements</b>		
<b>Wards affected</b>	Not applicable		

## 1. Executive Summary

- 1.1 This report provides a summary of the arrangements for the Council's housing company (Colchester Amphora Homes Ltd) and specifically proposes that it is delegated to the Portfolio Holder for Resources to set out and agree detailed funding arrangements between the Council and CAHL.
- 1.2 It is also proposed that an investment of £250k as equity be made from the New Homes Bonus into CAHL to enable progress to be made with the company's business plan

## 2. Recommended Decision

- 2.1 To agree to delegate to the Portfolio Holder for Resources the detailed funding arrangements in respect of loans and equity for CAHL.
- 2.2. To agree to invest £250k of equity in CAHL funded from NHB as set out in this report.

## 3. Reason for Recommended Decision

- 3.1 Further work is being carried out to determine the detailed funding packages for CAHL. The report to Cabinet in June 2017 stated that further financial and site modelling work would be required before any funds were committed by the Council. At this point work is ongoing to review and establish the most state aid and lending market compliant funding mix. This will include consideration of the financial implications for the Council. The proposed equity investment of £250k will enable CAHL to progress the company's business plan aspirations whilst appropriate funding options are explored.

## 4. Alternative Options

- 4.1 Given the scope of the Amphora Homes Business Plan it is important to ensure that the funding mix supporting this is compliant in terms of Corporation Tax liabilities and State Aid and further work is being done to establish this. The scheme work to take forward the Business Plan however has commenced in earnest and is currently progressing swiftly. Delegating detailed funding arrangement to the Portfolio Holder means a decision on the funding mix can be made quicker. Not confirming a compliant funding mix would expose the Council to State Aid noncompliance risk. It would also slow the pace and progress of the work now being undertaken to initiate the delivery of the Business Plan as no investment can be made until the funding mix is agreed and reflected in the Loan Agreement between CBC and CAHL. Finally not agreeing the proposed equity investment of £250k would also mean that CAHL would not have the resources to

continue to work up and progress the housing development sites in the current programme thereby delaying the implementation of the Business Plan.

## **5. Background Information**

- 5.1 Cabinet agreed to set up a wholly owned housing company, now known as Colchester Amphora Homes Limited (CAHL).
- 5.2 The objectives behind creating a CAHL to deliver new housing are:
- Increase the supply of homes within the Borough including a high level of affordable homes and the Council maintain influence over the type of housing that is built and where it supports local community needs
  - CAHL will look to make best use of Council assets
  - To set high standards for housebuilding and energy efficiency
  - To increase the number of construction apprentices
  - To generate local employment
  - To control the pace of delivery and the completion of units
  - CAHL, through the wider commercial company structure will generate a commercial return to the Council
- 5.3. Cabinet agreed the original business case for creating the company in June 2017 and subsequently the Business Plan for CCHL was approved by Cabinet on 31 January 2018. The Business Plan set out the following summary in respect of CAHL:-

### ***Colchester Amphora Homes Ltd (CAHL)***

*CAHL is a housing development company which will initially purchase four sites, currently in Council ownership, to deliver 300 new dwellings within this business plan period. The company will ensure that 30% of all homes are delivered as offered on an affordable rent basis for local people in Colchester – this means 90 new affordable homes in this Plan period.*

*CAHL will pay market value to the Council for its sites. It will also take loan finance from CBC to fund the development phases and, once all borrowing has been repaid, CAHL will pay dividends back to the Council via CCHL.*

*During the business plan period, CAHL will be identifying further sites which can then be purchased to continue the pipeline of housing development. Further site purchase will require a business case to be presented to CCHL and to the Council if loan finance is required or Council assets have been identified.*

- 5.4. The budget report to Cabinet included reference to the business plan and the estimated total estimated borrowing requirement of £28.8m for CAHL to be drawn down between 2018 and 2024. It was reported that the intention was that this be financed by prudential borrowing by the Council and charged to CAHL at a commercial rate in accordance with State Aid requirements. Full Council agreed the inclusion of this sum in the Capital Programme and the Council's Prudential Indicators from 2018/19 to 2020/21 reflects this proposed drawdown of funds.
- 5.5. Work is on-going for the Council to agree funding packages to CAHL. This requires consideration of the mix of equity and loans and arrangements to agree the appropriate commercial rate (to ensure that State Aid provisions are not triggered). The Council will also require CAHL to provide revised requirements. Legal and financial advice has been received on this matter and further guidance is being sought before final proposals are made and a loan agreement is entered into.

- 5.6. In order to progress this matter it is proposed that it be delegated to the Portfolio Holder for Resources to agree the detailed funding arrangements and to consider the resulting financial implications for the Council.
- 5.7. In order to continue to progress the work of the company, which is now progressing swiftly, it is necessary to consider an initial investment of equity into the CAHL. It is therefore proposed that an allocation of £250k be made from the 2018/19 New Homes Bonus budget as follows:-

	£'000
Balance unallocated of 2017/18 budget	171
Allocation from 2018/19 budget	79
<b>Total allocation</b>	<b>250</b>

- 5.8. It should be noted that if the above is agreed it would leave a balance of £984k unallocated from the 2018/19 New Homes Bonus.

## **6. Equality, Diversity and Human Rights implications**

- 6.1 None

## **7. Strategic Plan References**

- 7.1 The creation of the housing company and agreed business plan supports the Strategic Plan objectives of increasing supply of good quality homes.

## **8. Financial implications**

- 8.1 These are set out in the report.

## **9. Standard References**

- 9.1 There are no particular references at this stage in respect of consultation or publicity considerations community safety; health and safety or risk management implications.

## **Background Papers**

Cabinet June 2017