

**BUSINESS CASE FOR THE FORMATION OF THE GREATER CAMBRIDGE CITY
DEAL HOUSING DEVELOPMENT AGENCY**

To: General Purposes Committee

Date: 28 July 2015

From: Chris Malyon, Chief Finance Officer

Electoral division(s): Cambridge City Electoral Divisions

Forward Plan ref: N/A **Key decision:** No

Purpose: To consider the Business Case for the formation of the Housing Development Agency (HDA).

Recommendation: General Purposes Committee is asked to:

- (a) Make comment on the business case for the establishment of the HDA;
- (b) Agree to the establishment of the HDA and the associated governance arrangements contained within the business case;
- (c) Request that the City Deal Board agree to the establishment of a Company construct for the HDA to become operational by the end of 2016; and
- (d) The detail of the company and its governance be brought back to this Committee for ratification in due course

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1. BACKGROUND

- 1.1 The City Deal Board has approved in principle to pump-prime the funding of a Housing Development Agency (HDA). The purpose of the HDA is to be a shared service, governed by the local authority partners to the City Deal that will bring together a team with the required skills; knowledge and experience to efficiently and effectively;
 - a) Make best use of land and funding made available by the City Deal partners to deliver new housing
 - b) Acquire new housing land and deliver additional housing through innovative partnership and funding mechanisms
- 1.2 The HDA is not intended to own assets. However, there is the potential for a whole range of joint venture arrangements and development agreements to emerge led and facilitated by the HDA. These would combine the City Deal partners' resources to attract private finance investment and potentially involve other landowners, house-builders and developers and Registered Providers. As well as efficiency, there is the opportunity for the HDA to deliver additionality by working up schemes and partnerships around land and funding that would not otherwise happen.
- 1.3 The establishment of the HDA now will also ensure the City Deal partners are well placed to utilise and apply quickly any new resource or financial freedoms that may emerge in future.
- 1.4 The housing development process is market led with much affordable housing tied to the delivery of market housing through planning policy. In the negotiations prior to the City Deal it was highlighted that to rely solely on private developers and house-builders and partner Registered Providers (housing associations) to deliver the Local Plan housing numbers was a risk to further economic growth and therefore a risk to the City Deal. The complete collapse of new market house-building and consequential lack of provision of Affordable Housing during the 2008 economic downturn is evidence of this point.
- 1.5 The housing 'asks' argued through the City deal process were not agreed. Despite this, and continuing efforts to lobby for greater financial freedoms, the concept of a Housing Development Agency has evolved as an operational model as a response to the continuing pressures in the local housing market.
- 1.6 The Business Case proposes the following objectives for the HDA;
 - a) To deliver the commitment contained within the City Deal to deliver an additional 1,000 dwellings on exception sites by 2031.
 - b) To deliver the new homes identified in Cambridge City Council and South Cambridgeshire District Council approved Housing Revenue Accounts new build strategies – approximately 2,000 new homes.

- c) To deliver new homes for Ermine Street Housing, the new private limited company created by South Cambridgeshire District Council, subject to the approval of its long term plan – potentially approximately 1,000 new homes. (The City Council is also currently considering the investment of General Fund capital in Intermediate Housing).
- d) To act on land and funding opportunities proposed by the County Council and the University and Colleges meeting aspirations to retain a long term stake in any development and the draw-down of revenue income streams.

2. OPTIONS

- 2.1 Three ways of setting up the HDA are illustrated in the Business Case. The preferred option put forward by both district councils is Option 2, the Shared Service Model, as this is believed to be the quickest way for the HDA to become operational. The argument is that this model will quickly deliver robust team capacity corralled to achieve a common purpose minimising due diligence in respect of human resource and legal work associated with the set-up of a new legal company structure.
- 2.2 The County Council have consistently stated that its preferred vehicle was a company constructi.e. option 3. It is the view of officers that this will improve clarity and transparency and will enable the function to operate in a more commercial environment and attract the skills set that are necessary to deliver more commercially driven opportunities.
- 2.3 Whilst presenting the report to the Assembly meeting the Executive Director for Corporate Services of South Cambridgeshire Council stated that it was intended to move to a company construct but to date no commitment has been given as to the timing of this potential change. The district councils have stated that adopting a shared service model would not preclude a move to Option 3. This does not indicate that changing the model is a priority and there is a risk that unless the County sets this as a requirement from the outset it may not be progressed.

3. IMPLICATIONS

- 3.1 In the writing of this report, taking into account financial, legal, staffing, risk management, equality and diversity, climate change, community safety and any other key issues, the following implications have been considered: -
- 3.2 **Financial and other resources**
 - 3.2.1 The Business case demonstrates how the HDA will be financially self-sustaining within three years. There are three inter-related factors that will dictate the operation and financing of the HDA. Operational (revenue) costs can be covered by fees charged to each (capital) development scheme. The operational income will therefore be dependent on the number of schemes that the HDA is managing. The number of schemes that can be managed will, in turn, be dependent on the HDA team capacity (skills, knowledge and experience) available. An understanding of this circular relationship between number of schemes; fee income and Agency team

staff capacity is fundamental to the Business Case and how the HDA is sustainable in the long term.

3.2.2 It should be noted that in practice a variable fee structure will apply depending on the type of scheme and the input required by the HDA to manage the scheme's delivery. For the purposes of the Business Case a flat rate 3% fee has been assumed.

3.2.3 The Business Case assumes the HDA will deliver a minimum of 4000 new homes to 2031 which equates to the completion of an average 250 per year. The completion of 250 new homes a year would generate an annual income for the HDA of £1,350,000 based on the following assumptions;

Unit Cost - £180,000 per unit

Annual Capital Cost - £45m

Fee – 3% of Capital Cost

3.2.4 It is important to be clear that the control of each project specification, budget and approval remains with the land owning partner unless it is agreed otherwise. The authority of the land owning partner to proceed will be required at different stages of the development process. The 'milestone' decisions will vary from scheme to scheme and will need to be agreed as part of the Development Brief for each scheme. Each authority will only fund the HDA for schemes that the HDA delivers for each authority.

3.3 **Staffing**

3.3.1 Due process will need to be followed in respect of any existing staff that transfer to the HDA. The following HDA team is proposed to deliver at least 250 new homes a year. The HDA team would need to operate flexibly over the Greater Cambridge area but it is anticipated that each City Deal partner would have a senior person in the HDA as their 'account' manager.

- Managing Director – overall managerial responsibility for the delivery of the City Deal objectives
- Assistant Director – assist the Managing Director to develop and manage the HDA and assist with new business opportunities. Lead the delivery of some projects.
- 2 x Housing Development Managers – lead the delivery of teams and projects
- 3 x Housing Project Officers and Planning Officer – project manage schemes with the assistance of Trainees as directed by the managers.
- 3 x Trainee Project Officers – assist the project management of schemes
- Commercial Director – lead on the marketing and sales of intermediate housing and where applicable market housing products delivered through the HDA.
- 2 x Sales and Development Administrator - peripatetic administrative support for the HDA

- 3.3.2 Helpfully the authorities are not starting from a zero base in terms of schemes, fee potential and staff. The Business Case for the HDA proposes a transition from existing small in-house teams managed independently by local authority partners to a single shared service model and how £400,000 pump-priming funding from City Deal facilitates this transition.
- 3.3.3 The Business Case details different options through which the HDA could be governed. The recommendation is to move as quickly as possible to the shared service model. The recommendation is made on the basis that this will be the quickest route to establish the robust team capacity needed to achieve a common purpose and will minimise the due diligence in respect of human resource and legal work associated with the set-up of a new legal company structure.
- 3.3.4 A target date to achieve a shared service is April 2016. In the interim it is proposed to establish a HDA Board to oversee the transition to the full shared service. The HDA Board will fit within the wider governance structure for shared service that is emerging across the local authorities. From August 2015 consideration will be given to secondment of staff into the shadow HDA structure and to buy in other resource on a temporary basis to deliver existing projects and programmes.

3.4 Risk Management

- 3.4.1 The Business Case illustrates headline risks in establishing the HDA.

4. FUTURE BUSINESS MODEL

- 4.1 When the opportunity of creating a public sector resource pool, that was accessible to City Deal partner organisations, to support the delivery of housing related projects was first raised it was against the backdrop of developing a separate organisation. The original proposal was that a company construct would be established with three local authorities being the shareholders of the venture.
- 4.2 The County Council were supportive of this approach as it provided a competitive alternative to commissioning works from the private sector and ensured that any profits (and by implications risks) remained within the public sector.
- 4.3 For good reasons of expediency the current proposal is to establish a shared service offer. This will avoid any delays caused by establishing a separate organisation. There is already a healthy pipeline and there is nothing to be gained in delaying this process. However the benefits of adopting a more commercial construct for the delivery vehicle still hold true.
- 4.4 It is therefore proposed that, subject to GPC agreement, the County Council should support the shared service approach as set out in the business case in order to expedite 'trading'. However the County Council would still wish to see this move to a company construct at a time that is deliverable but one that will not fetter the initialisation of the resource pool. It is therefore suggested that a target date of the end of 2016 should be set as the date at which the County Council would expect the new company to become operational.

5. ALIGNMENT WITH CORPORATE PRIORITIES

5.1 Developing the local economy for the benefit of all

The creation of both a public sector vehicle to deliver public sector developments in the locality will retain the economic benefit of this proposal locally rather than being distributed through national, or potentially international organisations.

5.2 Helping people live healthy and independent lives

Greater public sector input into housing design projects will promote whole life housing thereby facilitating independent living.

5.3 Supporting and protecting vulnerable people

As above.

6. SIGNIFICANT IMPLICATIONS

6.1 Resource Implications

The pump prime funding for the establishment of the HDA is already built into the Business Plan. On-going support will be funded through individual developments that will be subject to their own business case.

6.2 Statutory, Risk and Legal Implications

There are no significant implications within this category

6.3 Equality and Diversity Implications

There are no significant implications within this category. Schemes that the HDA manages will be subject to Environment Impact Assessments (EIAs).

6.4 Engagement and Consultation Implications

Consultation and communication has been mainly with City Deal partners and interested organisations such as Cambridge Ahead and the Local Enterprise Partnership.

6.5 Localism and Local Member Involvement

There are no significant implications within this category.

6.6 Public Health Implications

There are no significant implications within this category.

Source Documents	Location
Business Case for the formation of the Greater Cambridge City Deal Housing Development Agency	Appendix



Greater Cambridge City Deal Housing Workstream

BUSINESS CASE FOR THE FORMATION OF THE GREATER CAMBRIDGE CITY DEAL HOUSING DEVELOPMENT AGENCY.

Version History

Version	Date	Description
1.0	13 April 2015	
2.0	22 April 2015	
3.0	5 May 2015	
4.0	8 May 2015	Draft for CEOs
5.0	26 May 2015	Assembly Final

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1.0 Executive Overview

33,000 new homes are planned by 2031 in the draft Cambridge and South Cambridgeshire Local Plans. The delivery of these homes is dependent on market forces and as such represents a risk to the City Deal's objectives.

The Housing Development Agency is proposed as an operational model through which the City Deal partners' collective resource in terms of land, finance and staff skills can be applied to complement the market driven housing development process and to smooth the peaks and troughs of market delivery.

As well as efficiency, there is the opportunity for the Housing Development Agency to deliver additional housing by working up schemes and partnerships around land and funding that would not otherwise happen.

The Business Case for the Housing Development Agency is based on a target programme of at least 4,000 homes by 2031 which equates to an average of 250 homes per year.

The Business Case proposes a transition from existing small in-house teams managed independently by local authority partners to a single shared service model that will quickly deliver robust team capacity corralled to achieve a common purpose.

A target date to achieve a shared service is April 2016. In the interim it is proposed to establish an officer Board to oversee the transition that will fit with the governance structure for shared services that is emerging across the local authorities and from as early as August 2015 use a combination of existing staff and bought in resources to deliver the existing projects and programmes.

2.0 The Purpose of the Housing Development Agency

CITY DEAL LED HOUSING DEVELOPMENT

- 2.1 The housing development process is market led with much Affordable Housing tied to the delivery of market housing through Planning policy. In the negotiations prior to the City Deal it was highlighted that to rely solely on private developers and house-builders and partner Registered Providers (housing associations) to deliver the Local Plan housing numbers, was a risk to further economic growth and therefore a risk to the City Deal. The complete collapse of new market house-building and consequential lack of provision of Affordable Housing during the 2008 economic downturn is evidence of this point.
- 2.2 The main housing 'asks' of central government under the City Deal were about additional public funding and greater flexibility to apply funding to deliver greater certainty that the new housing required will be provided. In other words, to have

some public led delivery to complement the market driven housing development process and to smooth the peaks and troughs of market delivery.

- 2.3 The housing 'asks' were not agreed. Despite this, and continuing efforts to lobby for greater financial freedoms, the concept of a Housing Development Agency (HDA) has evolved as an operational model through which the partners' collective resource in terms of land, finance and staff skills can be applied to the optimal benefit of the wider City Deal objectives.
- 2.4 The purpose of the HDA is therefore to be a shared agency, governed by the local authority partners to the City Deal that will bring together a team with the required skills; knowledge and experience to efficiently and effectively;
 - a. Make best use of land and funding made available by the City Deal partners to deliver new housing
 - b. Acquire new housing land and deliver additional housing through innovative partnership and funding mechanisms
- 2.5 The HDA is not intended to own assets. However, there is the potential for a whole range of joint venture arrangements and development agreements to emerge led and facilitated by the HDA. These would combine the City Deal partners' resources to attract private finance investment and potentially involve other landowners, house-builders and developers and Registered Providers. As well as efficiency, there is the opportunity for the HDA to deliver additionality by working up schemes and partnerships around land and funding that would not otherwise happen.
- 2.6 The establishment of a the HDA now will also ensure the City Deal partners are well placed to utilise and apply quickly any new resource or financial freedoms that may emerge in future.

3.0 Housing and Economic Success

THE HOUSING ISSUE – A REMINDER

- 3.1 The reason why a housing dimension was considered as central to the City Deal is clearly illustrated in the following extracts from the negotiating document produced in 2013.

“...(economic) success to date has created housing supply & affordability constraints, and chronic transport congestion, that threaten to choke off further economic growth”

“Shortage of available and affordable housing within reasonable journey time of key employment centres - this has driven unsustainable housing prices (purchase and rental), meaning that many key workers cannot afford to live in, or within reasonable journey times of, our key job sites.”

“We need to achieve:

The right number, types and tenures of housing (market, rented, social), in the right places, well-connected to employment centres (both virtually and physically), so that workers can find the housing they need, and can get to work to take up the jobs essential to economic success.”

3.2 The following headline key market indicators show that two years on, housing locally is increasingly less affordable;

- Average house prices Cambridge (Dec 14) - £428,251 (up 12% in a year)
- Average house prices South Cambs (Dec 14) - £354,719 (up 15% in a year)
- Lower quartile house prices in Cambridge are 15.7 times lower quartile incomes
- Lower quartile house prices in South Cambs 11.1 times lower quartile incomes
- Market rents have increased by about 3 to 5% in across Greater Cambridge over the last 12 months although rents of 2 bed properties in Cambridge have increased by nearer 10%.

(Source: Cambridge Sub-Region Housing Market Bulletin – April 2015.)

3.3 The two local planning authorities (Cambridge City and South Cambridgeshire) have provided for an additional 33,000 new homes by 2031 in their submitted local plans, currently going through examination in public. 13,200 of the new homes are required to be Affordable Housing.

The local need and planned supply of new housing is not repeated here in full but is illustrated in the following documents;

Cambridge Sub-Region Strategic Housing Market Assessment 2013

www.cambridgeshireinsight.org.uk/housing/shma/shma-current-version

Local Plan Review Documents

www.cambridge.gov.uk/local-plan-review

www.scambs.gov.uk/services/local-plan

4.0 Objectives.

1,000 NEW HOMES.....and more

RIGHT HOUSES - RIGHT PLACE - RIGHT TIME

4.1 To complement the current market led delivery of housing and to drive certainty into the delivery of new housing, together with the prospect of delivering more homes into the future, will require a collective shift in thinking and action to achieve. The HDA

will be the focus for the energy and imagination that is needed for this public sector drive to make sure the right houses are provided in the right place at the right time to support the growth of Greater Cambridge.

- 4.2 The following objectives are therefore proposed for the HDA;
- a. To deliver the commitment contained within the City Deal to deliver an additional 1,000 dwellings on exception sites by 2031.
 - b. To deliver the new homes identified in Cambridge City Council and South Cambridgeshire District Council approved Housing Revenue Accounts new build strategies – approximately 2,000 new homes.
 - c. To deliver new homes for Ermine Street Housing, the new private limited company created by South Cambridgeshire District Council, subject to the approval of its long term plan – potentially approximately 1,000 new homes. (The City Council is also currently considering the investment of General Fund capital in Intermediate Housing)
 - d. To act on land and funding opportunities proposed by the County Council and the University and Colleges meeting aspirations to retain a long term stake in any development and the draw down of revenue income streams.
- 4.3 Taken together this represents a build programme of at least 4,000 homes with the potential to deliver up to 8,000 if the land and funding opportunities allow. Over a 16 year period to 2031 4,000 homes equates to 250 homes per year which is the target rate of delivery used in this HAD Business Case.

5.0 The Benefits of the HDA

WHAT DIFFERENCE WILL THE HDA MAKE?

- 5.1 Both Cambridge City and South Cambridgeshire District Councils have a need to deliver their own Housing Revenue Account (HRA) build programmes. The early stages of these developments have involved a relatively small but a growing number of properties and have been delivered by a small in house team together with support from external agencies to help provide the technical advice and assistance required to take schemes forward.
- 5.2 The County Council need to identify development partners to unlock the potential of their land holdings. The volume of new builds to be delivered through HRA funding is projected to grow exponentially requiring extra staff resources which would push up staffing costs to both councils in addition to paying fees to external agencies. In addition the same technical skills will be required to take forward the build programme of the County Council, Ermine Street Housing, and other emerging City Deal Joint Ventures (JVs) or

Special Purpose Vehicles (SPVs), including the recent proposal for the city council to invest General Fund (GF) capital in housing, ErmineStreet Housing

- 5.3 The establishment of the HDA would enable the effective and efficient delivery of these various new build programmes and avoid duplication of skills within small fragmented teams. As the new housing programmes ramp up and the team increases in capacity there will be less reliance on external consultants. The HDA would ensure good project management and control over costs as well as generating a potential revenue surplus for the City Deal partners.
- 5.4 To repeat, as well as efficiency, there is the opportunity for the HDA to deliver additionality by working up schemes and partnerships around land and funding that would not otherwise happen.

6.0 The Operation and Financing of the Housing Development Agency

SCHEMES = FEES = HDA TEAM CAPACITY = FEES = SCHEMES
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- 6.1 There are three inter-related factors that will dictate the operation and financing of the HDA. Operational (revenue) costs can be covered by fees charged to each (capital) development scheme. The operational income will therefore be dependent on the number of schemes that the HDA is managing. The number of schemes that can be managed will, in turn, be dependent on the HDA team capacity (skills, knowledge and experience) available. An understanding of this circular relationship between number of schemes; fee income and Agency team staff capacity is fundamental to the Business Case and how the HDA is sustainable in the long term.
- 6.2 It should be noted that in practice a variable fee structure will apply depending on the type of scheme and the input required by the HDA to manage the scheme's delivery. For the purposes of the Business Case a flat rate 3% fee has been assumed.

6.3 Target Schemes and Homes

The delivery of the minimum 4000 new homes set out in 3 above equates to the completion of an average 250 per year.

6.4 Target Fee Income

The completion of 250 new homes a year would generate an annual income for the HDA of £1,350,000 based on the following assumptions;

Unit Cost - £180,000 per unit
Annual Capital Cost - £45m
Fee – 3% of Capital Cost

6.5 Target HDA Team

The following HDA team is proposed to deliver at least 250 new homes a year. The HDA team would need to operate flexibly over the Greater Cambridge area but it is anticipated that each City Deal partner would have a senior person in the HDA as their 'account' manager.

Managing Director – overall managerial responsibility for the delivery of the City Deal objectives

Assistant Director – assist the Managing Director to develop and manage the HDA and assist with new business opportunities. Lead the delivery of some projects.

2 x Housing Development Managers – lead the delivery of teams and projects

3 x Housing Project Officers and Planning Officer – project manage schemes with the assistance of Trainees as directed by the managers.

3 x Trainee Project Officers – assist the project management of schemes

Commercial Director– lead on the marketing and sales of intermediate housing and where applicable market housing products delivered through the HDA.

2 x Sales and Development Administrator- peripatetic administrative support for the HDA

Appendix 1 shows the skill and knowledge set required within the HDA Team in relation to the housing development process that it will manage.

- 6.6 The HDA team fully costed equates to a fee charge of approximately 2% of capital development cost on 250 new homes based on the assumptions in 4.3 above. Assuming an average 3% fee allows a 1% charge to cover other specialist development costs such as up-front legal costs; procurement costs; specialist planning advice etc. with any surplus recyclable to pump-prime further activity.

Appendix 2 shows the target HDA team and specialist development costs, fully costed.

7.0 Transition from Existing Staffing to Target HDA Team

TRANSITION

- 7.1 This section of the Business Case will explain why pump-priming of £400,000 is essential to build on the capacity of the existing staff teams to deliver the target number of new homes. It is important to understand three key accounting practices that will apply to the HDA as follows;

- a. Fees cannot be charged for revenue costs incurred if a scheme does not proceed.
- b. Fees cannot be charged for more than the actual revenue costs incurred
- c. It is the practice of the social housing development sector to draw down fees at two stages in a scheme – once the construction has started on site and when the construction has completed.

Points a. and c. above in particular mean that taken in isolation the project management cost of each scheme runs with an operational revenue deficit until the scheme reached near completion. However, once a programme of schemes is established the aggregation of fee income and timing of fees received results in a sustainable Business Plan.

7.2 Helpfully we are not starting from a zero base in terms of schemes, fee potential and staff. The City Council has an established new build programme and staff team; South Cambs DC has its Property Company and a significant list of development sites and the County has at least two major development sites that have been approved to be brought forward. The University and Colleges have expressed an interest in developing some of their land or investing funding using the HDA.

7.3 **Existing Schemes**– The following table provides a summary of committed schemes and known potential schemes that could be delivered through the HDA.

New Homes by Year of Completion	2015.16	2016.17	2017.18
City Council	78	161	86
SCDC	35	64	58
Total	113	225	144

The above does not include the known potential County sites at Worts Causeway and Burwell as these will not complete until 2018.19 at the earliest.

Appendix 3 provides more detail of committed schemes and known potential schemes.

7.4 **Immediate Fee Potential** – The schemes shown in 4.4 above would generate the following fee income.

Fee Income	2015.16	2016.17	2017.18
City Council	£357,020	£261,791	£458,100
SCDC	£53,604	£160,931	£329,357
Total	£410,624	£422,722	£787,457

7.5 **Transition from Current Staff Capacity the HDA Team**

The following is a summary of the existing staff capacity within the district councils.

Housing Development Manager (City)

Housing Development Officer (City)
 Trainee Housing Development Officer (City)
 Housing Development Manager (SCDC)
 Plus miscellaneous staff that contribute to the housing development function

Appendix 2 shows the target HDA Team.

The following table summarises the transitional costs and income to move from the current staff capacity in 2015.16 to the target HDA Team in 2017.18 that is self-sustaining through fee income. The table shows that as well as no longer relying on City Deal funding, the HDA has the potential to generate a surplus in 2017.18.

	2015.16	2016.17	2017.18
(A) HDA Staff Team Cost	£439,314	£547,334	£640,225
(B) Specialist Development Costs eg up-front legal; procurement; specialist consultant etc.	£171,310	£75,388	£80,000
(C) Fees Income (charged to capital projects)	£410,624	£422,722	£787,457
(D) City Deal Funding	£200,000	£200,000	£0
Balance (A+B)-(C+D)	£0	£0	£67,232 (Surplus)

8.0 Governance Models and Option Appraisal

GOVERNANCE

- 8.1 There is a spectrum of models through which the HDA could be governed as illustrated by following headline SWOT analysis of three options.

In either model it is important to state that the control of each project specification, budget and approval remains with the land owning partner unless it is agreed otherwise.

- 8.2 The recommendation is to move as quickly as possible to Option 2, the Shared Service Model. The recommendation is made on the basis that this will be the quickest route to establish the robust team capacity needed to achieve a common purpose and will minimise the due diligence in respect of human resource and legal work associated with the set-up of a new legal company structure. This would not preclude a move to Option 3 in due course.

- 8.3 A target date to achieve a shared service is April 2016. In the interim it is proposed to establish a HDA Board to oversee the transition to the full shared service. The HDA Board will fit within the wider governance structure for shared service that is emerging across the local authorities. From August 2015 consideration will be given to secondment of staff into the shadow HDA structure and to buy in other resource on a temporary basis to deliver existing projects and programmes.
- 8.4 The operation of the HDA is not location dependent. It is proposed that a core office base be established but that the HDA Team would be peripatetic.
- 8.5 **Option 1 - Collaborative Model**

Under this model all staff remain with their partner authorities and operate primarily to deliver their host authority projects. City Deal partners agree to co-operate to ensure as far as is possible that partner operations do not conflict and are not counter-productive to the delivery of the City Deal housing objectives.

Strengths

- There would be no set up or costs associated with reorganising the staff teams.
- Decision making on the prioritisation of their projects would clearly remain with each partner.

Weaknesses

- Each partner authority is likely only to be able to afford small and therefore less robust staff teams with built in inefficiencies in terms of management and structure.
- It will be harder for each partner to recruit the wide range of skills required in an effective staff team
- There is the potential that partners will compete for same staff

Opportunities

- No obvious opportunities that are unique to this model

Threats

- Working collaboratively, but still independently, partner housing development programmes will be less flexible to adapt to any significant change in the external policy or funding environment.

8.6 Option 2 - Shared Service Model

Under this model the staff team would be brought together within a single management structure. There would be a legal agreement between the partners to capture the common purpose and objectives of the shared service, with a governing

body with representation from the three local authorities overseeing its operation. One partner would need to be appointed to lead the shared service.

Strengths

- Having a single staff team will generate management and operational efficiencies.
- The collective staff resource of the partners will be focused on delivering the housing objectives of the City Deal.
- Recruitment and retention will be aided by the focus on the common objectives.
- Monitoring of outputs and outcomes will be aided by the presence of a single governing body.
- This model fits with the emerging governance structure for a number of other shared services already set up or being worked on by partners.

Weaknesses

- There will be up-front costs to bring existing staff together in a single structure.
- Unless thought through thoroughly from the outset, it will complex to bring the shared service to an end.

Opportunities

- A single, larger shared housing development agency will have a greater presence in the development market place and would be better placed to deliver the additionality of working up schemes and partnerships around land and funding that would not otherwise happen.
- This model lends itself as a practical transitional model to use to ease the move from current management and organisation of the partners current programmes.

Threats

- No obvious threats that are specific to this model.

8.7 Option 3 - Wholly Partner Owned Local Company Model

Strengths

- Having a single staff team will generate management and operational efficiencies.
- The collective staff resource of the partners will be focused on delivering the housing objectives of the City Deal.
- A pay and conditions structure can be implemented that is in tune with market and will aid recruitment and retention.
- Monitoring of outputs and outcomes will be aided by the presence of a single governing body.

Weaknesses

- There may a perception that the Company is too far removed from the democratic decision-making process.

Opportunities

- There may be Tax advantages but these will need to be worked through once the HDA is established.

Threats

- No obvious threats that are specific to this model.

9.0 Risks and Issues

RISK AND MITIGATION

Risk	Mitigation
National policy imposing further restrictions on local authority direct delivery of new housing eg restrictions on setting up companies to avoid RTB.	Lobbying of government through City Deal and Devolution debates.
Delay in completion of schemes results in fee income not being achieved.	Careful planning of the timing of the programme of schemes. Close systematic monitoring of scheme progress. Having a larger programme of schemes will lessen the impact of the slippage in the programme.
Difficulty in recruiting the skilled and experienced personnel required in a competitive market.	The profile and robustness of the HDA will represent a better offer to attract staff. Investigate application of market supplement to local authority pay structure.
Perceived lack of control of land owning or funding City Deal partners.	Land owning or funding City Deal partners retain of project specification, budget and approval. Project delivery monitored by Board.

End