


<b>Cabinet</b>  23 September 2020	 <b>TOWER HAMLETS</b>
<b>Report of:</b> Ann Sutcliffe - Corporate Director, Place	<b>Classification:</b> Unrestricted
<b>Seahorse Homes Limited – Shareholder Representative Report and Loan Facility</b>	

<b>Lead Member</b>	<b>Councillor Islam, Statutory Deputy Mayor and Cabinet Member for Housing</b>
<b>Originating Officer(s)</b>	Nicola Klinger, National Management Trainee
<b>Wards affected</b>	All wards
<b>Key Decision?</b>	No
<b>Forward Plan Notice Published</b>	Not required
<b>Reason for Key Decision</b>	This report has been assessed as not meeting the Key Decision criteria
<b>Strategic Plan Priority / Outcome</b>	<b>People live in good quality affordable homes and well-designed neighbourhoods.</b>

## Executive Summary

- 1.1 The Shareholder Representative presents a report on the past and future affairs of Seahorse Homes Limited.
- 1.2 On the 27<sup>th</sup> July 2020, the Board of Seahorse Homes Limited agreed that its principal purpose going forward will be to acquire residential properties to let at market rent and, where appropriate, for market sale. It has identified several upcoming opportunities.
- 1.3 To enable Seahorse Homes Limited to operate and develop its infrastructure whilst it is not generating income it will need additional working capital.

## Recommendations:

The Mayor in Cabinet is recommended to:

1. Agree to authorise the Divisional Director, Finance, Procurement and Audit to increase the credit facility of Seahorse Homes Limited up to £150,000 and agree the corresponding repayment terms.

## **1 REASONS FOR THE DECISIONS**

- 1.1 On 7<sup>th</sup> February 2017, Cabinet agreed to provide Seahorse Homes Limited with a credit facility of up to £50,000 for use as working capital. Seahorse Homes Limited has received £100 in share capital and borrowed £29,900 from LBTH to date. In the main this has been used to commission legal advice in relation to a property acquisition that did not ultimately progress
- 1.2 The Board has developed an operating budget for the year ending 31<sup>st</sup> March 2021. This includes a budget for a Housing Company Manager role, for Seahorse Homes Limited to develop its identity, and for Seahorse Homes Limited to commission legal advice relating to future acquisitions.
- 1.3 To fund the operating budget, the Company will require additional working capital.
- 1.4 This will enable Seahorse Homes Limited to operate and develop its infrastructure whilst it is not generating income.

## **2 ALTERNATIVE OPTIONS**

- 2.1 The credit facility of Seahorse Homes Limited could remain at a maximum of £50,000.
- 2.2 However, this would limit Seahorse Homes Limited's ability to further its activities and develop its infrastructure.

## **3 SHAREHOLDER REPRESENTATIVE REPORT**

### **3.1 Background**

On 10th September 2020, the Chief Executive as the Council's Shareholder Representative attended the AGM of Seahorse Homes Limited.

The Shareholder Representative received and approved the Directors' Report on the affairs of the society during the year ending 31st March 2020 and discussed with the Board the Company's future purpose and activities.

Seahorse Homes Limited aims to:

- Invest in property to generate a return.
- Increase the provision of private rented accommodation in Tower Hamlets.

As sole Shareholder, the Council will benefit from any profits generated by Seahorse Homes Limited.

## 3.2 Review of operations

In reviewing its operations during the year ending 31st March 2020, the Board of Seahorse Homes Limited acknowledge that the Company has not met its target of building a portfolio of 100 apartments during its first two years (as set out in its Business Plan 2018-2028).

The Board have identified that among the key reasons for this is a lack of available resources for the Company to undertake work to identify and pursue acquisitions.

In the year beginning 1st April 2020, the Board has worked with LBTH to review the purpose and infrastructure of Seahorse Homes Limited. This will lead to an improvement in the Company's operations.

## 3.3 Future developments

### 3.3.1 Management and staff resource

During the year ending 31st March 2020, the Company did not have a dedicated resource to carry out work for the Board. In the year beginning 1st April 2020, the LBTH Housing and Regeneration team will recruit for a Housing Company Manager. The Company plans to establish a Service Level Agreement with LBTH in which the Company will pay a fee to LBTH in exchange for the Housing Company Manager carrying out work for the Company.

Between the 1st June 2020 and 31st December 2020, the LBTH Housing and Regeneration team have a National Management Trainee on placement. The National Management Trainee will carry out the review of the Company and support the Board to improve the infrastructure and governance of the Company.

### 3.3.2 Purpose

On the 27th July 2020, the Board confirmed that its principal purpose going forward will be to acquire residential properties to let at market rent and, where appropriate, for market sale.

This will include individual units and blocks both within and outside of the London Borough of Tower Hamlets.

The Company will also pursue the acquisition of units on Council development schemes that have been identified for market sale or market rent.

### 3.3.3 Acquisitions

Seahorse Homes Limited has identified a number of acquisition opportunities it will pursue during the year ending 31<sup>st</sup> March 2021.

### 3.3.4 Funding

On 7<sup>th</sup> February 2017, Cabinet agreed to provide Seahorse Homes Limited with a credit facility of up to £50,000 for use as working capital. Seahorse Homes Limited has received £100 in share capital and borrowed £29,900 from LBTH to date.

The Board has developed an operating budget for the year ending 31<sup>st</sup> March 2021. This includes a budget for a Housing Company Manager role, for Seahorse Homes Limited to develop its identity, and for Seahorse Homes Limited to commission legal advice relating to acquisitions. To fund the operating budget, the Board will require additional working capital. This will enable the Company to operate and develop its infrastructure whilst it is not generating income.

## **4 EQUALITIES IMPLICATIONS**

- 4.1 Seahorse Homes Ltd is a separate legal entity albeit wholly owned by the Council; the purpose of the company is to generate additional income to allow investment by the Council into its priority activities. As a consequence, there are no specific equality implications from this report.

## **5 OTHER STATUTORY IMPLICATIONS**

- 5.1 This section of the report is used to highlight further specific statutory implications that are either not covered in the main body of the report or are required to be highlighted to ensure decision makers give them proper consideration. Examples of other implications may be:
- Best Value Implications,
  - Consultations,
  - Environmental (including air quality),
  - Risk Management,
  - Crime Reduction,
  - Safeguarding.
  - Data Protection / Privacy Impact Assessment.

- 5.2 There are no other statutory implications.

## **6 COMMENTS OF THE CHIEF FINANCE OFFICER**

- 6.1 The request for additional working capital will need to be considered by the Divisional Director for Finance, Procurement and Audit as the Section 151 officer is a Director of Seahorse Homes Limited and a conflict of interest

therefore exists.

- 6.2 The advance of working capital will need to be repaid at commercial rates in order to avoid any State Aid implications. The amount requested is underpinned by an operational budget for 2020-21 and subsequent years in advance of surplus income being generated through its activities in order to repay the working capital.
- 6.3 The terms and amount will be agreed by the Divisional Director for Finance, Procurement and Audit once they are satisfied on the robustness of the operational budget proposals.

## **7 COMMENTS OF LEGAL SERVICES**

- 7.1 Section 1 of The Localism Act 2011 “The General Power of Competence” enables a local authority to do anything that individuals may generally do. This power is not to be relied upon as a specific power to invest or make a loan but rather to supplement the powers to invest under Section 12 of the Local Government Act 2003 or make a loan under Section 24 of the Local Government Act 1988.
- 7.2 As such, the local authority has the powers under the aforementioned legislations to grant the additional working capital.
- 7.3 Payment of the additional working capital will be considered State Aid, unless the loan is granted and repaid at commercial rates
- 7.4 Thus, it is recommended that clear terms and conditions must be set out before the payment is made.

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### **Linked Reports, Appendices and Background Documents**

#### **Linked Report**

- NONE

#### **Appendices**

- NONE.

#### **Background Documents – Local Authorities (Executive Arrangements)(Access to Information)(England) Regulations 2012**

NONE

#### **Officer contact details for documents:**

N/A