



*Please reply to:*

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Date: 1 April 2021

## **Notice of meeting**

### **Extraordinary Overview and Scrutiny Committee**

**Date:** Wednesday, 7 April 2021

**Time:** 6.00 pm

**Place:** Teams Video Conferencing

#### **To the members of the Overview and Scrutiny Committee**

Councillors:

V.J. Leighton (Chairman)  
O. Rybinski (Vice-Chairman)  
C.L. Barratt  
J.H.J. Doerfel  
J.T.F. Doran

R.D. Dunn  
T. Fidler  
M. Gibson  
A.C. Harman  
I.T.E. Harvey

N. Islam  
L. E. Nichols  
D. Saliagopoulos  
R.A. Smith-Ainsley

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## AGENDA

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**1. Apologies**

To receive any apologies for non-attendance.

**2. Disclosures of Interest**

To receive any disclosures of interest from councillors in accordance with the Council's Code of Conduct for members.

**3. URGENT - Call-in of Cabinet decisions**

**3 - 30**

The following Cabinet decision has been called in by the requisite number of members of the Overview and Scrutiny Committee and in accordance with the Overview and Scrutiny procedure rules:

**Exempt report - Transfer of properties from Spelthorne Borough Council to Knowle Green Estates Ltd.**

*The exempt report and appendices that went to Cabinet on 24 March 2021 are attached as an appendix to the response to the call-in.*

The Overview and Scrutiny Committee may either:

- (a) request the Leader, Cabinet or Cabinet Member to reconsider the matter for reasons to be put forward by the Committee in their request to reconsider; or
- (b) decide that no further action be taken, in which case the decision of the Leader or Cabinet etc may be actioned without further consideration or delay.

# Extraordinary Overview and Scrutiny Committee



7<sup>th</sup> April 2021

	<b>Response to Call in Request on decision to transfer West Wing and Benwell House Phase 1 from Spelthorne Borough Council to Knowle Green Estates</b>
<b>Purpose of the report</b>	To make any recommendations to Cabinet as considered appropriate by the Committee
<b>Report Author</b>	Terry Collier
<b>Cabinet Member</b>	Cllr Jim McIlroy
<b>Confidential</b>	No
<b>Corporate Priority</b>	Housing Financial Sustainability
<b>Recommendations</b>	<b>Committee is asked to:</b>  1.1 <b>Consider the response made to the points raised in the call-in request and whether there are any recommendations it wishes to make to Cabinet</b>
<b>Reason for Recommendation</b>	<b>A number of important policy issues have been raised in the Call-In request which the Committee may wish to make recommendations on.</b>

## 2. Key issues

- 2.1 Cabinet on 24<sup>th</sup> March 2021 considered a report proposing the transfer of West Wing and Benwell House Phase 1 from Spelthorne Borough Council to Knowle Green Estates (the 100% owned housing delivery company of the Council) for Knowle Green Estates (KGE) to hold the assets on a long-term basis and to manage them for the delivery of housing. West Wing to be 100% affordable rental units and Benwell House Phase 1 to be a mixed tenure scheme split roughly 60% affordable, 20% key workers (reserved for designated occupations with a local connection such as health and education workers) and 20% private rental.
- 2.2 In parallel the KGE Board carefully considered at its Board meeting on 17<sup>th</sup> March 2021 the proposed transfer and the financial projections to assure itself that the basis on which the schemes were being transferred would be financially viable for KGE and enable it to make the loan interest and principal repayments to the Council.
- 2.3 Both West Wing and Benwell House Phase 1 (Benwell scheduled Practical Completion 16<sup>th</sup> April) are due to be completed within the next couple of

months and tenants will shortly be ready to move in. Any delays to completing the transfer between the Council and KGE will have an adverse financial impact for the Council.

### **3. Options analysis and proposal**

- 3.1 The report will focus on the issues raised in the Call-in report and will cover both West Wing and Benwell House Phase 1 transfers in the following seven sections.

#### **Point of clarification 1: The rationale for the split of affordable, key worker and private rentals and basis on which any choice is made**

- 3.2 Following the Extraordinary Council Meeting on 25<sup>th</sup> January 2021, the Cabinet set out their broad policy objective of providing **at least** 50% of homes on all its residential developments as affordable housing (defined as up to 80% of market rent), including an element of homes prioritised for local key workers.

#### **Benwell House Phase 1**

- 3.3 This development was always proposed as a mixed tenure scheme, offering a tenure blind approach, meaning no difference in specification between a private rented home and an affordable home. The agreed split of affordable, key worker and private rentals is in line with the publicly stated Cabinet policy objective.
- 3.4 There is a need to ensure a balanced and sustainable community at Benwell House. As a result of the mix of property sizes in what would have been the 50% private rent element of this scheme, namely the relatively high proportion of studios and one bedroom flats (71%), Officers needed to consider a reasonable tenure mix which would meet the Cabinet's policy objective in relation to the delivery of affordable and key worker homes, be financially sustainable, and offer residents the greatest opportunity to access a one of the homes. The following options were considered:
- (a) 50% affordable and 50% private rented – rejected due to financial unsustainability for Knowle Green Estates (KGE) and therefore ultimately for Spelthorne Borough Council (SBC) as the 100% owner of the company) (see para 3X).
  - (b) 100% affordable – rejected due to the high likelihood of housing management issues arising as a result of the high concentration of one bedrooms and studio flats. Households on the Housing Register eligible for these properties who have a high priority tend to have more support needs.
  - (c) 80% affordable and 20% private rented – whilst this provided an optimum financial position for KGE, it was rejected for similar reasons provided at (b), in that this would still provide a relatively high concentration of smaller affordable units.
  - (d) 60% affordable, 20% key worker and 20% private rented – this option has been accepted as it provides a balance between private rented and affordable, whilst also offering a small number of units to trial the operation of a key worker scheme in advance of larger schemes such as Victory Place.

#### **West Wing**

- 3.5 This development will be entirely affordable housing, let to households on the Housing Register. One unit has been fully adapted for disabled use. The Council has been clear from the early days of its Housing Delivery programme that it voluntarily wished to front load the delivery of affordable (planning s106 and “voluntary” affordable) by delivering a relatively high proportion of affordable in the early stages of the programme. 100% affordable rental for West Wing is consistent with the approach taken on Churchill Way and the Bugle Returns site.

#### Key Worker Policy

- 3.6 A Key Worker Policy has been drafted and appended to this report at Appendix 1. This policy will initially only apply to the lettings to Benwell House (Phase 1). After twelve months this policy will be comprehensively reviewed, with a view to the creation of a more embedded policy to take effect for future schemes, including Victory Place (which is still subject to planning permission). This policy will be considered by Cabinet at an Extraordinary Cabinet meeting on a date to be decided, with a view to its adoption in advance of the first lettings to Benwell House.
- 3.7 In addition to the policy objective of wishing to make a significant difference to residents of the Borough in need of access to affordable housing by delivering a significant proportion of affordable housing, the other important influencing factor is scheme cost, which is touched on more, later in this report. To assist with the planning of the future pipeline of residential schemes, for the benefit of both SBC and KGE, it is suggested that in future greater focus is put on the upfront estimated costs of proposed developments and what those costs mean for KGE’s viability on a range of tenure rental mixes. This could be done as a form of “term sheet” at the start of each development as a way of documenting the initial assumptions which can then be monitored and used as a trigger to review transfer and viability projections for a scheme if those assumptions start to look challenging. The Assets Sub-Committee of the Corporate Policy and Resources Committee could review these initial assumptions and at set stages as development projects progress.

#### **Point of clarification 2: Basis of valuation of properties**

- 3.8 A number of valuation options were presented to Cabinet in November 2020 to agree a basis for enabling the transfer of properties from SBC to KGE. Cabinet approved a valuation basis that prioritises the maximisation of S106 affordable housing and occupations whilst ensuring schemes remain financially viable for KGE. This approach requires the Assets team to initially agree an appropriate S106 housing provision through the planning process. When the scheme has been built and all costs are known, a market valuation is undertaken. This establishes the ‘profit’ locked into the scheme. At this point additional valuation sensitivity analysis is undertaken by incrementally increasing the S106 housing element until the ‘profit’ has been eroded to a level similar to total costs. Therefore, instead of locking in a ‘book value profit’, Cabinet have chosen to ensure the Council maximises the provision of S106 affordable housing. Those units which are not S106 will be valued on an open market basis. However this does not preclude them from being let to tenants paying both market and affordable rents. This approach also reduces the transfer value to KGE which minimises its debt and consequent interest and principal repayments and therefore improves its ability to make those financing payments to the Council.

3.9 An illustration of this in practice includes:

- (a) Benwell House Phase 1 – From a planning policy perspective, 12 S106 affordable units were agreed as viable. However, as this is ultimately a two-phase project, there is no ‘profit’ in the first phase and hence no additional S106 units can be provided. Its profitability is reliant on Phase 2 being delivered which is still subject to planning. Notwithstanding this, the model allows us to provide affordable/key worker occupations in the units which are valued at open market sales rates.
- (b) West Wing – By contrast, this development was valued at £9.4m on an open market basis as it’s a Permitted Development Rights conversion scheme, and not subject to affordable housing policies. However, by applying S106 affordable housing values to all units, the values have been reduced to £5.9m which aligns more closely with total costs. This has resulted in the development providing 100% more affordable than policy requirements.

3.10 To assist both KGE and SBC moving forwards it is suggested that the approach set out in 2.8 is set out as the SBC Policy for Valuation of Transfers and can then be understood and referenced by KGE.

**Point of clarification 3: SBC viability expectations**

- 3.11 It is important to understand that KGE is 100% owned by the Council and that its assets and liabilities are fully consolidated into the Council ‘s financial Group Accounts at the end of the financial year. The Council does not therefore ultimately gain by making a “capital gain” on asset transfer or lose if transfers are at a lower value. SBC is not looking to make a profit on development schemes but ideally is looking to transfer the schemes at a valuation close to the development cost. What is crucial is that KGE as the delivery vehicle is financially viable on a long-term basis and will be able to make the financing payments (and pay for recharged services from the Council) to the Council. As the Cabinet report made clear we do not wish to be in a similar position to Croydon LBC and its housing delivery company Brick by Brick, where that company’s inability to meet its loan repayment commitments played a fundamental part in the financial difficulty that Croydon Council recently found itself in.
- 3.12 The finance team maintain an “integrated” financial model which links together profit and loss, balance sheet and cashflow projections for 50 years for KGE. In terms of the ability to meet future cash commitments there is a particular focus on cashflow, which is key to ensuring the company can meet future liabilities. In contrast, net profit or loss after depreciation is very much impacted by the significant depreciation charges arising from the significant assets the company holds (depreciation is addressed in section 7). Depreciation is a non-cash accounting charge which reduces the net surplus.
- 3.13 The integrated model has been shared with the Directors of the KGE Board who have assessed the financial viability of different tenure mixes particularly for Benwell Phase 1. As discussed in 2.4, several tenure mixes were rejected because of their adverse impact on viability.
- 3.14 It should be noted (as commented in the Cabinet report) that where affordable housing units are filled by tenants from the Council’s housing register the

Council does make a notional revenue saving on its homelessness budget of roughly £6.5k per household each year.

**Point of clarification 4: The way that SBC costs are attributed to developments**

- 3.15 The Council undertakes and manages the development of schemes up to completion before they transfer to KGE. All development costs are treated as capital costs. This includes directly attributable staff costs (for example development manager costs) and includes costs such as security of sites.
- 3.16 However, it should be noted that whilst all SBC direct costs/fees and interest costs are capitalised, they do remain at risk of being converted to the revenue account if planning permission is not obtained. To minimise the Council's exposure to these risks, the objective is to get robust applications submitted and determined as quickly as possible. Any delay adds to the daily burden of the continuing accrual of interest costs for each project, and unnecessarily increasing costs in return for nothing.
- 3.17 It is hoped that the new Corporate Policy and Resources Sub-Committee will assist in ensuring schemes do not continue to be used for conflicting political motivations. For example, Ashford Victory Place, Thameside House and Benwell Phase 2 have stagnated in the planning process whilst cross party support for the new leisure centre has enabled the application to progress (so far) within statutory timescales. The same can be said for Harper House and the White House Hostel, West Wing and Benwell House Phase 1, although these last two were office to residential conversions allowed under permitted development rights.

**Point of clarification 5: The rate of interest charged for loans to KGE**

- 3.18 The Cabinet report attempted to explain the policy drivers to explain the interest rates used. These are:
- (a) for affordable units provided the Council will charge the same financing rates as it can access through the Public Works Loan Board (PWLB) and
  - (b) for private rental units, following legal and expert advice, the Council will charge a proxy market rate (currently 5%) this minimises the risk of the Council and the Company being challenged on state aid grounds.
- 3.19 To make the above more transparent, we will express the Interest Rates Policy as follows:
- (a) Financing of affordable rental units (including key worker units where the same twenty percent discount on market rental applies). The Council will charge KGE at the same rates as it is able to access through the Public Works Loan Board. This shall be expressed as being at a rate of plus or minus twenty basis points of the prevailing fifty-year PWLB Annuity rate (or equivalent) on the day of the transfer.
  - (b) Financing of market rental units. The Council will charge the Company a proxy market rate of the prevailing PWLB 50-year annuity prevailing on the day of the transfer plus two hundred and fifty to three hundred fifty basis points. This range will annually be reviewed in consultation with the Council's treasury management advisers.

**Point of clarification 6: Potential sale of SBC developed housing**

- 3.20 The recent independent Local Government Association Corporate Finance Peer Review commented in one of its recommendations on the challenges of ensuring that the Councils ambitious housing delivery programme remains financially viable if it only delivers rental units, as currently is the case. The Peer Review suggested (as quoted in the Cabinet report) that the Council explores the option of having the option of some sales of residential units in the future, which would reduce the amount of debt finance required for the programme.
- 3.21 It needs to be made clear that the current policy of the Council, and the parameters within which KGE are operating, is that *all* developments are being delivered solely on a rental basis. Unit sales are not being proposed for Benwell House Phase 1 nor West Wing. Cabinet was however flagging this as a matter for future consideration and stating it need to be kept under review if the KGE future years viability modelling projections become more challenging. It is suggested that this could be taken forward through the Community Wellbeing and Housing Committee and Corporate Policy and Resources Community, in partnership with the KGE Board.

**Point of clarification 7: Depreciation and asset valuation**

- 3.22 In updating the 50-year model to date, a fairly high-level approach to depreciation has been undertaken. However, at the next KGE Board there will be a paper setting out a draft Depreciation Policy addressing a componentisation approach. This is designed to aid the consolidation of KGE accounts into the SBC accounts. By componentising each property, the Directors would be looking to establish the relevant life expectancy and therefore a depreciation rate for each component listed above using a straight-line methodology to calculate the figure, for example:
- (a) Land would not be depreciated. This is in line with generally accepted accounting principles,
  - (b) Building structure - 50-100 year (between 1 & 2% p.a.)
  - (c) Bathrooms – 20 years
  - (d) Lifts – 20 years
  - (e) Heating Electric – 15 years
  - (f) Heating Gas – 15 years
  - (g) Kitchen – 20 years
  - (h) Roof (Pitched) – 60 years
  - (i) Roof (Flat) – 2 years
  - (j) Windows – 10 years
- 3.23 In the 50-year projections we used a 50-year life expectancy on the whole cost of the property, including land, i.e. 2% per annum straight line, so that we could assess the impact on profitability.
- 3.24 The projections indicate that the cumulative profit and loss account would be in the region of £104 million after 50 years and therefore, would be able to meet a major refurbishment across all properties on at least one occasion and provide for a healthy level of annual repairs and maintenance and would still allow KGE to meet its financing payments and other liabilities.



#### **4. Financial implications**

- 4.1 As set out in the Cabinet report, any delays to finalising the transfers will add to the costs the Council is incurring before KGE starts to generate a rental income stream and is able to start making financing payments to SBC. It is therefore in the Council's financial interests to ensure that the transfer dates do not slip.

#### **5. Other considerations**

- 5.1 By delivering a significant proportion of affordable housing units the Council is helping to provide opportunity for more of its residents to live-in high-quality accommodation in the local area that is affordable.

#### **6. Sustainability/Climate Change Implications**

- 6.1 Not raised as an issue in the Call-In request.

#### **7. Timetable for implementation**

- 7.1 An Extraordinary Cabinet has been scheduled for 14<sup>th</sup> April to consider and respond to any recommendations that the Overview & Scrutiny Committee may wish to make. The Cabinet will also consider the adoption of the Key Worker Policy mentioned within this report.
- 7.2 Anticipated practical completion for Benwell House Phase 1 is 16<sup>th</sup> April, and for West Wing is 25<sup>th</sup> May.

#### **Background papers:**

#### **Appendices:**

Appendix 1: Exempt Cabinet report and appendices on transfer of Benwell Phase 1 to KGE

Appendix 2: Additional supporting information with respect to key worker approach – draft Key Worker Policy

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## **Key Worker Housing Policy**

### **1. Introduction**

- 1.1 Spelthorne Borough Council is dedicated to providing affordable housing locally to key workers who are critical in keeping local public services going. As such, a proportion of lettings at upcoming Council developments, through its wholly owned housing company Knowle Green Estates Ltd. will be prioritised for key workers.
- 1.2 The definition of 'key worker' has varied significantly since the concept was developed in the early 2000s. No formal definition exists in relation to affordable housing, although several definitions exist for other reasons, such as the Government's criteria for critical workers to access school placements during the Coronavirus pandemic.
- 1.3 It is in the Council's gift to define key worker locally, based on local requirements and the local housing context. In preparation for these lettings, the Council commissioned a piece of research regarding the likely demand for accommodation amongst key workers, and the sectors in which those key workers are employed. This research provided valuable insight into the demand particularly for key workers in education, health and social care, and public safety and national security. As a result, these sectors will initially be prioritised as part of this.

### **2. Policy scope**

- 2.1 A number of properties at Benwell House, Sunbury have been identified as being suitable for an initial key worker housing scheme.
  - (a) 9 x one bed two person flats
  - (b) 2 x two bed four person flats
- 2.2 This policy is initially intended to support the initial and any subsequent re-letting of that development. The operation of this policy will be reviewed, the results of which will inform a more embedded key worker housing policy.

### **3. Policy objectives**

- 3.1 The Council has not had a standalone key worker policy in operation before. Although lettings to Knowle Green Estates Ltd. developments fall outside of Part VI Housing Act 1996, as they are not defined as social housing, in its early stages, any key worker policy will need to be delivered through existing 'infrastructure' in terms of IT and staffing structures. As such, the eligibility for a key worker home is in line with the broad eligibility requirements of The Borough of Spelthorne Housing Allocations Policy (2018) ('the Housing Allocations Policy').
- 3.2 This policy has been designed to ensure that affordable housing, designated as priority for key workers, is allocated fairly and transparently.

### **4. Definition of a Key Worker**

- 4.1 Based on the research undertaken in 2020, to qualify as a key worker under this policy, an individual must be in one of the following roles:

- (a) **Health and social care:** Doctors, nurses, midwives, paramedics, social workers, care workers employed by a public sector organisation, other frontline health & social care staff.
- (b) **Education and childcare:** Childcare, support and teaching staff, specialist education professionals [including FE teachers and Early Years/nursery teachers; Local Authority Therapists, including Occupational Therapists and Speech and Language Therapists; and Local Authority Educational Psychologists].
- (c) **Public safety and national security:** Police and support staff; Armed forces personnel; Fire and rescue service employees; Prison and probation staff.

## 5. Eligibility criteria for a Key Worker home

5.1 A key worker as defined by this policy will qualify for a key worker home in Spelthorne provided they meet the following criteria:

- (a) Must have the Right to Rent as defined by the Immigration Act 2014
- (b) Must have a Local Connection to Spelthorne as defined by the Housing Allocations Policy.
- (c) Annual household income of less than £50,000
- (d) Savings of less than £30,000
- (e) Do not own or part own a property
- (f) Be employed as a key worker on:
  - i) a permanent contract of at least 18 hours per week, or
  - ii) an existing fixed term contract of 12 months or more of at least 18 hours per week, or
  - iii) a zero hours contract, where the applicant can demonstrate that they have worked more than 18 hours per week on average over 12 months. This will be considered on a case by case basis.
- (g) The contracted place of employment must be in Spelthorne, except in the specific exceptions listed below.

5.2 Exceptions to the requirement for employment to be based in Spelthorne include:

- (a) Key workers based in St Peter's Hospital, Chertsey
- (b) Key workers employed by the South East Coast Ambulance Service NHS Foundation Trust based at the Chertsey Ambulance Station
- (c) Key workers employed by Surrey County Council in education and childcare to provide therapy or psychology services to children across Surrey, including in Spelthorne
- (d) Officers of Surrey Police who are redeployed / seconded to the Metropolitan Police or other areas of Surrey Police will remain eligible provided their substantive role remains with Surrey Police based in Spelthorne.

(e) Armed forces personnel do not need to be based in Spelthorne

5.3 Key workers will be eligible for a home which meets their household needs, as defined by the Housing Allocations Policy. For clarification, property sizes are defined as follows:

Household	Bedroom Need
Adult person – single	Bedsit / One Bedroom
Adult couple	One bedroom
An overnight carer	One bedroom
Two persons / children of the same sex with less than a ten year age gap	One bedroom
Two persons / children of different sex both under 10 years of age	One bedroom
Two persons / children of the same sex with more than a ten year age gap where both are under 16	One bedroom
Two persons / children of different sex, of whom at least one is over 10 years of age	Two bedrooms
Two persons of the same sex with more than a ten year age gap and where at least one is 16 or over	Two bedrooms

## 6. Application process

6.1 All applications must be made and kept updated through Search Moves ([www.searchmoves.org.uk](http://www.searchmoves.org.uk)).

6.2 Applications will be assessed as per Spelthorne Borough Council's Housing Allocations Policy in use at the time, and prioritised based upon housing need.

## 7. How accommodation will be allocated and offered

7.1 Accommodation will be advertised on Search Moves clearly identified as a key worker home. The advert will include details of the location of the property, the rent level, and any other criteria or special features. Adverts are usually open for six days, but this can vary depending on operational requirements.

7.2 Key workers will need to express an interest in the advert ('bid') whilst the advert is open.

7.3 Once the advert closes, Housing staff will create shortlists of key workers, prioritised by housing need and registration date. There may be some reasons why an eligible key worker may be 'bypassed' for consideration. These are set out below:

### (a) Applicant is ineligible or unsuitable for the property

Applicants may be bypassed where their household does not meet the criteria for the property set out in the advert e.g. due to age restriction requirement, due to the household size not matching the property size, due to ages of household members or because any property adaptations in the vacant property are either not required or not matched to the household who has bid.

### (b) Change in applicant's circumstances

Applicants may be bypassed where there has been a change in their circumstances which makes them unsuitable or ineligible e.g. change in medical requirements, change in financial situation

(c) **History of anti-social behaviour**

Applicants may be bypassed where they or their family members have a recent history of significant antisocial behaviour which would make them unsuitable for the property.

(d) **Rent arrears / debt**

Applicants may be bypassed where they have current or recoverable former rent arrears with any landlord or other debts with the Council and which are not being satisfactory repaid. Statutory homeless applicants will generally not be bypassed for this reason but individual circumstances will be assessed the Council and the relevant landlord.

(e) **Community safety concerns**

Applicants may be bypassed where there are community safety concerns / risks which relate to the applicant being placed in a particular property or area.

(f) **Fraudulent application has been made**

An applicant will be bypassed where there are reasonable grounds for believing that false information has been given.

(g) **Circumstances not confirmed**

Applicants may be bypassed where the required verification process has not been completed.

(h) **No response from applicant**

Applicants may be bypassed where they have been contacted for information relating to their application and / or a potential offer of accommodation and the applicant has not responded to that contact within a reasonable period of time.

(i) **Local Letting Plans**

Applicants may be bypassed where they do not match specific criteria set out in Local Lettings Plans which will be adopted for specific areas / schemes to ensure communities are as balanced as possible. Properties subject to local letting plans will be clearly advertised and priority will be given to those that meet the criteria.

(j) **Sensitive letting**

In exceptional circumstances, an applicant may be bypassed for a property where they are not considered suitable due to housing management reasons. For example, an applicant who has a history of drug dependency may be bypassed for a property in an area where the landlord is aware there are a number of other residents with drug problems. Any final decision about whether to bypass an application based on sensitive letting will be made by the Council rather than the landlord.

(k) **Property not suitable for adaptation**

Applicants requiring property adaptations to meet their mobility needs may need to be bypassed if the property they have bid for cannot be adapted to meet their needs.

(l) **Property advert withdrawn**

Some properties advertised for letting may need to be withdrawn either because it is urgently needed for a direct letting or because it was being advertised before the previous tenant had left and they have rescinded their notice. This could result in those who have bid being treated as having been 'bypassed'.

(m) **Special requirement of landlord**

Some Housing Association landlords have very specific applicant criteria built into their Allocations policies or charitable rules relating to ages of applicants or area of residence for example. These requirements will usually be set out in the adverts but applicants who bid may need to bypass if the requirements are not met.

(n) **Applicant has alternative property offer outstanding**

An applicant will be by passed if there is an outstanding offer of accommodation available to them which has not been resolved.

- 7.4 Housing staff will notify the top applicant(s) and carry out a 'verification check'. This is a process of checking documents, identity documents and employment status, to ensure that the key worker's circumstances are as stated on their application form. An enhanced identity check may also be carried out using credit reference agencies. Usually, the key worker will need to complete this process within 48 hours, or else their bid may be bypassed.
- 7.5 The key worker who is the highest on the shortlist, who has successfully passed a verification check, will be referred to Knowle Green Estates Ltd. who will make the final decision on who is granted the tenancy, in line with the Nominations Agreement between the Council and Knowle Green Estates Ltd.
- 7.6 Key workers are expected to accept their offer of accommodation. Unreasonable refusals create unnecessary delays for other applicants in need and for landlords to relet much needed affordable homes. If the key worker has bid on and been offered two or more properties within a 12-month period and unreasonably refused, then in line with the Allocations Policy, the Council will downgrade the applicant's banding.

**8. Applicant reviews of decisions**

8.1 Applicants can request a review of the following decisions:

- (a) A decision that an applicant is not a keyworker or is not eligible for keyworker housing.
- (b) Any decision relating to the facts of their case which have been taken into account in considering whether to make any offer of key worker housing to them.
- (c) A decision to bypass an application - Applicants will not be advised that their case has been bypassed but can establish this by specific enquiry

if they have bid for a property but find out in the lettings outcome list that the property was offered to someone with a lower banding or later registration than the applicants within the same banding.

- 8.2 The applicant's review request should be made in writing to the Council within 21 days of the original decision being made. Details of why they are requesting a review of the decision and any information they wish to be considered should be provided.
- 8.3 An independent senior officer who was not involved in the original decision will consider the review and they will decide whether to overturn or support the original decision. The applicant will be informed in writing of the decision within 21 days of receipt of the review request. The reply will contain the decision made, the reasons for the decision and the facts taken into account when making the decision.
- 8.4 If an applicant is still not satisfied with the decision that has been made they have a right to make a formal complaint which will be considered under the Council's Complaints Procedure.

## **9. Tenancy type and management**

- 9.1 It is a requirement of the scheme that at least one eligible key worker must remain on the tenancy at all times.
- 9.2 Tenancies will be offered by Knowle Green Estates Ltd. which is Spelthorne Borough Council's wholly owned housing delivery company.
- 9.3 The tenancy offered to key workers will be an Assured Shorthold Tenancy with a minimum term of 12 months. This is the same as is usually offered by private landlords.
- 9.4 It is important to note that the tenancy offered to key workers is not a Council tenancy, and no secure rights of tenure are offered.
- 9.5 Key workers will not be allowed to sub-let any part of their home, including to lodgers.

### Tenancy review

- 9.6 Two months prior to the end of the 12-month fixed term, tenancies will be reviewed, primarily to ensure that at least one tenant remains eligible under this policy. At this stage consideration will also be had to the conduct of the tenant and their household. Provided at least one tenant continues to be eligible under this policy, and that no steps to commence legal action have been taken in relation to non-payment of rent or other tenancy breach, then the tenancy will ordinarily be renewed.
- 9.7 If nobody in the household is eligible as a key worker at the point of review then possession action will commence in line with the established legislative framework for recovering possession. This will either be through:
- (a) Section 21 Housing Act 1988, otherwise known as 'no fault eviction'. Provided the notice is served correctly, then a Court has no discretion to not agree to the eviction.



(b) Ground 12, Schedule 2 Housing Act 1988 (“a breach of tenancy condition”). This ground requires that a Court is satisfied that the ground is made out and reasonable in all of the circumstances of the case.

9.8 Knowle Green Estates Ltd. and the Council’s Housing Options service will work together to prevent and relieve homelessness amongst households whose tenancies are not being renewed.

9.9 If the key worker’s household composition has changed since the last review which would otherwise make the household ineligible for the size of home they occupy, then they may be required to transfer to a smaller or larger property.

## **10. Rent levels**

10.1 Key worker housing in Spelthorne is offered at up to 80% of the market rent for an equivalent property, capped at the relevant Local Housing Allowance for the relevant size of property. The key worker will be charged the lower of either the 80% of market rent, or the relevant Local Housing Allowance.

10.2 Rents must be paid to Knowle Green Estates Ltd. in line with the tenancy agreement.

10.3 Rent reviews will be carried out annually, and increases will be limited to fall in line with the Government’s Rent Standard. Currently, this is capped at Consumer Prices Index (CPI) + 1%.

10.4 When properties are vacant, the rents will be ‘rebased’ in line with the above criteria.

## **11. Void management**

11.1 Where an empty key worker home is not let within 28 days of notification that a vacancy is due, then Spelthorne Borough Council and Knowle Green Estates Ltd. will work together to fill the vacancy with an applicant from the Housing Register who is in employment as defined by the Housing Allocations Policy.

## **12. Equality and diversity implications**

12.1 An Equalities Impact Screening has been completed which has not identified any negative impact which needs addressing. This will be reviewed once this policy is reviewed at the end of the first twelve months.

## **13. Monitoring and reviewing**

13.1 This policy is owned by the Strategic Lead, Housing, who is responsible for its monitoring and review.

13.2 At the end of the first year of operation, a comprehensive review will be carried out by Spelthorne Borough Council in partnership with Knowle Green Estates Ltd., to report on the following:

- (a) Current residents still meeting the criteria
- (b) Demand for the key worker homes, including unit size
- (c) Void performance and management
- (d) Affordability of key worker homes

(e) Review of key worker definition based on implementation and priority groups

13.3 This review will inform a more embedded policy position on key worker housing in Spelthorne.