

# Overview and Scrutiny Committee

17 March 2020



<b>Title</b>	Knowle Green Estates' Mission Statement and Business Plan		
<b>Purpose of the report</b>	To note		
<b>Report Author</b>	Terry Collier		
<b>Cabinet Member</b>	Councillor Tony Harman	<b>Confidential</b>	No
<b>Corporate Priority</b>	Housing		
<b>Recommendations</b>	<b>To note the draft mission statement to be proposed to Cabinet and revision to the Knowle Green Estates Business Plan.</b>		
<b>Reason for Recommendation</b>	<b>To provide an opportunity for the Committee to comment on the response to the two recommendations made by the Committee on 21<sup>st</sup> January 2020</b>		

## 1. Key issues

- 1.1 At the Committee's meeting on 21<sup>st</sup> January it received a report on Knowle Green Estates' (KGE) Business Plan. The Committee proposed that there should be a mission statement, agreed by the Council, setting out the purpose and aims of the company as this would assist in scrutinising and measuring the success of their work.
- 1.2 The Committee sought further clarification on the financial arrangements relating to asset valuation and the transfer of property at cost price and considered that the wording of the plan needing further refinement and clarity.
- 1.3 The Committee recommended to Cabinet:

That the Business Plan for the Knowle Green Estates Group is presented alongside a mission statement or that a mission statement is subsequently developed identifying the purpose and aims of the Group.

The Committee believes that the process of asset valuation and transfer detailed in the Business Plan for the Knowle Green Estates Group requires further clarification.

- 1.4 Cabinet accepted the above recommendations and asked Knowle Green to draft suggested text

## 2. Options analysis and proposal

- 2.1 With respect to a draft Mission statement the Directors have suggested the following key strapline

***“With the Council and for the residents of Spelthorne, increasing the availability and quality of housing in our Borough. A property business with a commercial head and a social heart.”***

- 2.2 KGE exists to contribute towards the delivery of the Council’s Housing Strategy objectives and in particular to help facilitate as much affordable rental housing (and keyworker) as possible.

- 2.3 With respect to Valuation, it is proposed that the wording in the Business Plan is amended to read

***“On completion of construction and prior to occupation, the properties transfer to the KGE balance sheet at cost price (the cost to the Council of acquiring and developing the property): SBC as sole shareholder retains the asset value via its ownership of all KGE assets and is therefore at no financial disadvantage as a result of the cost-price transfer. In the event that the Council determines that the sale of the completed properties at their market value better supports the delivery of the Council’s Housing Strategy, the sale price from Council to Company will be determined by an independent market valuation commissioned by the Council.”***

- 2.4 In order to seek to maximise the delivery of affordable housing units, whilst ensuring a viable business model for the company, some additional modelling is going to be undertaken to look at the impact of using alternative lower profit percentage assumptions (ie rather than 20%) for the purposes of Planning Applications financial viability submissions. It should be noted that it will continue to be the case that over and above affordable housing numbers granted as planning conditions, the Company in looking to support the Council’s housing strategy objectives, will seek to maximise affordable rental housing numbers, by agreeing additional affordable (or keyworker) numbers as long as they are operationally viable for the Company.

- 2.5 In combination with the above KGE will liaise with the Housing Options team to draw out from the Housing Strategy affordable housing targets which support the Council’s Housing Strategy and are financially viable for KGE to deliver.

## 3. Financial implications

- 3.1 As highlighted in 2.4 above additional modelling is being undertaken to evaluate financial implications for Knowle Green Estates and Spelthorne Borough Council with respect to applying different models for determining affordable housing levels.

## 4. Other considerations

- 4.1 An equality impact assessment will be undertaken.

## **5. Timetable for implementation**

- 5.1 Following comments from Overview and Scrutiny the draft proposals on mission statement and the wording on valuation/transfer will be put to Cabinet for approval as the sole shareholder of the Company.

**Background papers: Knowle Green Estates Business Plan**

**Appendices:** There are none.