

28 September 2021



<b>Title</b>	Adoption of Acquisition of Registered Providers Street Properties Policy
<b>Purpose of the report</b>	To make a Key Decision To make a Capital Programme recommendation to Corporate Policy and Resources Committee
<b>Report Author</b>	Marta Imig, Strategic Lead, Housing
<b>Ward(s) Affected</b>	All Wards
<b>Exempt</b>	No
<b>Exemption Reason</b>	N/a
<b>Corporate Priority</b>	Housing
<b>Recommendations</b>	Community Wellbeing and Housing Committee is asked to:  Approve the adoption of the Acquisition of Registered Providers Street Properties Policy and to make Capital Programme recommendations to the Corporate Policy and Resources Committee as the Capital Programme process for 2022-23, progress leading up to approval of Capital Programme by Spelthorne Borough Council (the Council) in February 2022
<b>Reason for Recommendation</b>	This policy seeks to enable the Council owned housing company, Knowle Green Estates Limited (KGE), to acquire the specific type of properties to suit local housing needs, and to set up disposal protocols for Registered Providers with stock in Spelthorne, to ensure that affordable housing remains within the borough.

## 1. Key issues

- 1.1 The Council is dedicated to safeguarding affordable housing within the Borough for the benefit of its residents, and requests that Registered Providers (RPs) and public bodies contact the Council concerning proposals for properties they are seeking to dispose of prior to any decision being made.
- 1.2 At the time of writing, 1 September 2021, the Council has 3,072 households on its Housing Register, 637 of those are seeking transfer to an alternative property due to the existing one not meeting their housing needs, the remaining 2,435 are not currently housed by the Council and need affordable housing.
- 1.3 The Council's Housing Strategy, under priority 1, specifically focuses on delivery of more affordable accommodation, and to set up disposal protocols

for RPs with stock in Spelthorne. This Housing Strategy action indicates that the Council will work with RPs within the borough to ensure that social housing is retained within the borough, as well as to address both current and future needs. The policy is framed around the broad principles of what the Council wants to deliver as part of the property acquisition housing scheme and seeks to deliver on that commitment.

- 1.4 At present the Council has no policy in place to enable the purchase of properties for specific local needs (either from RPs or open market), where there is a shortage of stock, e.g., properties for a larger family, properties for residents not suited to place in standard developments due to anti-social behaviour (ASB) history or other specific needs.
- 1.5 At times, the Council struggles to place individual residents in standard general needs developments, due to various reasons, which can be ASB related or other specific individual needs, where the Council considers them not suitable for general housing community living. In these cases, the policy would enable the Council to identify and acquire a specific type of property for the individual needs, to enable them to settle in the wider community and thrive. The specific property for acquisition can be sourced through RPs seeking to dispose of one, or any other source on the open market.
- 1.6 The Council's acquisitions of specific type of properties as required, would be managed by Council's owned housing company – Knowle Green Estates Limited (KGE), who would require a loan from the Council to make the acquisitions. In turn it is therefore important that any acquisition is viable for KGE to be able to generate a sufficient surplus to be able to make the loan repayments to the Council.
- 1.7 The proposed policy has been drafted based on the input from a cross-section of Officers who are part of the Council's Strategic Housing Group.

## **2. Options analysis and proposal**

### Option 1: To reject the policy enclosed in Appendix A

The Council owned housing company, Knowle Green Estates Limited, will not be able to purchase properties for specific local needs where there is a shortage of stock, and the Council will have no influence on the disposal of affordable housing within the Borough.

### Option 2: To adopt the proposed Acquisition of Registered Providers Street Properties Policy as enclosed in Appendix A with Option 1 of the 5-year Capital Plan (recommended)

The adoption of the policy will enable the Council owned housing company, Knowle Green Estates Limited, to acquire properties (either sourced through RPs seeking to dispose of, or from the open market) in accordance with specific local needs, as well as to control the disposal of affordable housing within the Borough.

Option 1 of the Capital Plan includes acquisition of properties for disabled clients under Mobility Group 1 and 2, and properties for larger families. Properties for residents with specific housing needs can be sourced and acquired as part of this plan. The approximate Capital Programme provision for the delivery of the plan would be in the region of £35m

Option 3: To adopt the proposed Acquisition of Registered Providers Street Properties Policy as enclosed in Appendix A with Option 2 of the 5-year Capital Plan

The adoption of the policy will enable the Council owned housing company, Knowle Green Estates Limited, to acquire properties (either sourced through RPs seeking to dispose of, or from the open market) in accordance with specific local needs, as well as to control the disposal of affordable housing within the Borough.

Option 2 of the Capital Plan includes acquisition of properties for disabled clients under Mobility Group 1, and properties for larger families.

Properties for residents with specific housing needs can be sourced and acquired as part of this plan. The approximate Capital Programme provision for the delivery of the plan would be in the region of £20m.

Option 4: To adopt an altered version of the proposed Acquisition of Registered Providers Street Properties Policy

To make changes to the proposed policy and adopt a revised version to enable the Council owned housing company, Knowle Green Estates Limited, to acquire properties in accordance with specific local needs, as well as to control the disposal of affordable housing within the Borough.

### **3. Financial implications**

- 3.1 We currently have Capital Programme approval of £1,000,000, for affordable housing opportunities, which can be a starting point to the delivery of the programme.
- 3.2 We have proposed 2 versions of a Capital Expenditure Programme details of which are provided in Appendix D. Current rent and property purchase values are provided in Appendix E and estimated Budget calculations for the acquisitions are covered in Appendix F.
- 3.3 The calculations of the deliverability of the project have been included in Appendix G and H, based on the most expensive acquisition and the cheapest acquisition assumptions. The calculations show that the delivery of the Capital Plan and management of the assets over 50 years will not generate much of a surplus to KGE, but it is capable of covering its own cost. Over the period of 50 years our projections show that the investment may generate from circa £260,000 for the cheapest investment to circa £90,000 for the most expensive investment, per property – appendix G and H. The calculations are based on 70% of market rent affordability charge. This project is proposed with the social aspect in mind, not financial gain (for affordable properties the Council does not earn an interest margin on loans to KGE).

	Sep-21	Aug-76
<b>Appendix G Balance Sheet based on cheapest property</b>		
<b>Fixed Assets</b>		
Tangible NBV	360,000	48,270
<b>Current Assets</b>		

Trade Debtors	280	719
Bank account (over drawn)	7	182,259
	<u>287</u>	<u>182,978</u>
<b>Current liabilities</b>		
Trade Creditors	0	0
PWLB (capital only)	-386,630	29,859
	<u>-386,630</u>	<u>29,859</u>
	<u>-26,342</u>	<u>261,108</u>
<b>Reserves</b>		
<b>B/fwd.</b>	0	260,421
Surplus/(Deficit)	-26,342	687
C/fwd.	<u>-26,342</u>	<u>261,108</u>
Control	<u>0</u>	<u>0</u>

	Sep-21	Aug-76
<b>Appendix I Balance Sheet based on the most expensive property</b>		
<b>Fixed Assets</b>		
Tangible NBV	480,000.00	38,670.30
<b>Current Assets</b>		
Trade Debtors	293.97	754.66
Bank account (over drawn)	-286.34	10,112.86
	7.63	10,867.52
<b>Current liabilities</b>		
Trade Creditors	0.00	0.00
	-	-
PWLB (capital only)	515,505.93	39,812.63
	-	-
	515,505.93	39,812.63
	-35,498.30	89,350.45
<b>Reserves</b>		
<b>B/fwd.</b>	0.00	88,970.13
Surplus/(Deficit)	-35,498.05	380.57
C/fwd.	<u>-35,498.05</u>	<u>89,350.70</u>
Control	<u>0</u>	<u>0</u>

- 3.4 We investigated the options of acquisition of Houses in Multiple Occupation (HMO) and included calculations of the deliverability of those in Appendix I. While financially, it could provide a good level of income to KGE, at present we do not have a large demand amongst the applicants who could qualify for this type of accommodation. We will keep this under review and bring a detailed report for the Committee's consideration when the situation changes.
- 3.5 Management of HMO's accommodations requires specific set of skills and knowledge that would need to be considered as part of the planning of the project. In addition, the amount of capital investment required to bring these properties up to a required standard and any associated risk would need to be carefully considered.

#### **4. Other considerations**

- 4.1 Enclosed, in Appendix C, is an outline of options to access additional funding from Homes England, should KGE become a Register Provider in the future. The details of the funding options have been presented to KGE Board in August 2021. KGE Board is currently reviewing its medium-term strategy and is exploring the pros and cons of working towards becoming a Registered Provider.

#### **5. Equality and Diversity**

- 5.1 An Equality and Diversity Impact Assessment has been carried out and is provided in Appendix B.

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

- 6.1 The proposed policy may have an impact on the Council's sustainability / climate change position. Any new property acquisitions would need to be reviewed for their carbon emission totals and potentially upgraded to manage their energy and water efficiency, and potentially options of renewable energy considered depending on location and orientation.
- 6.2 Cost of repair, renovation and upgrades has been considered as part of the budget calculations.

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

- 7.1 Once approved, the policy will be submitted to the Corporate Policy and Resources Committee to consider. Once approved by both committees, Capital Plan will be incorporated into the 2022/23 budget in preparation for the commencement of the programme.
- 7.2 This policy will be comprehensively reviewed every 5 years.

**Background papers: There are none.**

**Appendices:**

*Appendix A: Acquisition of Registered Providers Street Properties Policy*  
*Appendix B: Equality Impact Assessment for Acquisition of Registered Providers Street Properties*  
*Appendix C: Funding Streams from Homes England*  
*Appendix D - 5-year Capital Plan - options*  
*Appendix E - Rent and purchase average values in Spelthorne (August 2021)*  
*Appendix F - Budget calculations*  
*Appendix G - Street housing v2 final 250821 Staines cheapest*  
*Appendix H - Street housing v5 Final 240821 Sunbury model most expensive*  
*Appendix I - Street housing v3 final 250821 HMO*