

SLOUGH BOROUGH COUNCIL

REPORT TO Cabinet **DATE:** 18th December 2017

CONTACT OFFICER: Neil Wilcox, Director, Finance and Resources (01753) 875300

Colin Moone, Service Lead Strategic Housing
(01753) 474057

WARD(S): All

PORTFOLIO: Councillor Mohammed Nazir, Cabinet Member for Corporate Finance and Housing

PART I **KEY DECISION**

APPROVAL OF FUNDING TO JAMES ELLIMAN HOMES FOR ACQUISITION OF 15 NEW BUILD FLATS

1 Purpose of Report

- 1.1 The report seeks approval for the Council to provide £2m funding in 2019/20 through a loan facility agreement to enable James Elliman Homes to acquire 15 newly built “affordable” flats in the Town Centre area. This is a one-off opportunity to purchase at below Open Market Value with around £2 Million payable in staged payments, until completion in December 2019.

2 Recommendation/Proposed Actions

The Cabinet is requested to resolve:

- (a) That funding of £2m be approved to acquire 15 new build flats by James Elliman Homes through a new loan facility arrangement with James Elliman Homes to the value of £2 Million in 2019/20.
- (b) That the £2m for affordable homes (James Elliman Homes) is included in the General Fund Capital Programme for 2019/20 to be approved by Council on 22nd February 2018

3 Slough Joint Wellbeing Strategy, The JSNA and the Five Year Plan

3a Joint Wellbeing Strategy Priorities

The proposal meets the following priorities of the Joint Wellbeing Strategy

- Housing is one of the key priorities of the Slough Joint Wellbeing Strategy which has been taken full account of in the production of the Housing Strategy and cross linked to the JSNA and the Five Year Plan. The Housing Strategy Action Plan details the housing priorities agreed for Slough with our health partners across all

housing themes including increasing housing supply and options for homeless people, young people leaving care, and adult social care groups.

- The supply of new high quality homes has been recognised by the Wellbeing Board as fundamental in delivering their own objectives that have wider health and economic benefits for the residents of Slough.
- The council recognised the scale of these housing challenges and set up two subsidiary housing companies to directly intervene in the housing market to help address these issues. The company with a Cabinet approved Business Plan with the identified aim of delivering as much affordable housing as possible at Slough Living Rent” levels in all its shapes and sizes is “James Elliman Homes.

3b Five Year Plan Outcomes

The proposals also make the following contributions to corporate objectives:

Outcome 4: Our residents will have access to good quality homes:

- Slough's “new” housing strategy approved by Cabinet in March 2017 sets out the council's shared vision and priorities to provide sufficient, good quality, affordable housing to address the following themes:

New Housing Supply

- The overarching need to help resolve many of these themed issues is increasing the supply and quality of housing in Slough. The housing strategy identified that there is significant pressure and competition at all levels of the housing market in Slough, with dramatic price increases to buy or rent

Private Sector Housing

- The private rented sector is one of the highest in the country with over 28% of the population housed in this sector. The focus here is robust quality control and regulation to ensure that this sector provides sufficient good quality market housing alongside supporting landlords and tenants.

Council Homes

- The Council’s waiting list for social housing has remained at around 2500 households whilst around 60 council houses are lost each year due to the Government’s Right to Buy scheme with many local families now priced out of the private rented market and home ownership options. This council is still building new high quality council homes whilst being financially unable to replace all the housing units currently lost to sales or demolitions through its Housing Revenue Account.

- **Homelessness and housing need**

The dramatic price increases to buy or rent homes in Slough corresponds to the rise in homelessness over the last 3 years. Many families are now presenting as homelessness because they have been priced out of their existing accommodation rather than any other reason. There are currently around 380 families in temporary accommodation. This figure has doubled in the last twelve months and this trend of increased homelessness pressures is expected to continue.

- **Special housing needs and vulnerable groups**

There is also a housing need to ensure that specialist accommodation is available for vulnerable people and those with special housing needs including young people, older people, people with disabilities which links back to the JSNA and the Five Year Plan.

- We expect these pressures to increase alongside the growth of the private rented sector and the council has already approved a more interventionist approach to the housing market in its housing strategy.
- The proposals set out in this report are about supporting James Elliman Homes fulfil its aims and operationalise the opportunities it presents to the council to meet Outcome 4 of the Five Year Plan. This is essentially by providing a safe and affordable housing alternative to the private rented sector for vulnerable groups and key workers in Slough.

4. **Other Implications**

(a) Financial

As a direct consequence of this report James Elliman Homes will acquire the 15 new Section 106 “affordable housing” units on the site for up to £2,000,000 (two million pounds) including stamp duty and fees on a turnkey basis i.e. 10% to be paid on acceptance of offer and 90% on delivery in December 2019.

15 x affordable rent (Block B) Type	Size (m2)	No
1b2pf	50.30	3
1b2pf	57.30	3
1b2pf	72.90	1
2b4pf	70.20	6
2b4pf	91.10	2
15		

The £2m will be funded to James Elliman Homes through a loan facility agreement. James Elliman will pay interest on £1.2m of this loan and the remaining £0.8m will be an equity stake for which the Council will receive an annual dividend. The rental income from these 15 properties should be sufficient to enable James Elliman Homes to meet the interest payment to the Council and generate a sufficient surplus after tax to pay the Council a dividend; the interest and dividend payments from James Elliman will enable the Council to meet its costs of funding the £2m.

The Council already has two loan facilities with James Elliman Homes which have been used to purchase Pendeen Court, 81-83 High Street, and a number of 2, 3 and 4 bed properties.

(b) Risk Management

Risk	Mitigating action	Opportunities
Community	None	

Property	None	Opportunity to purchase 15 high quality flats in the town centre for affordable housing
Financial (Acquisition) The Council is unable to fund the loan agreement to purchase in 2019	Forward Planning (MTFS)	Acquire new build properties at around 40% OMV, which is unlikely to be repeated.
Legal: Resources of legal team	Procure External Legal Advice	
Financial loss of opportunity	Ensure purchase requirements are met i.e. stage payments to developer.	
Human Rights	None	
Employment	None	
Planning	Agreed	
Public Consultation	None	.

(c) Human Rights Act and Other Legal Implications

There are no immediate Human Rights Act and Other Legal implications as a direct consequence of this report.

(d) Equalities Impact Assessment

There is no identified need to carry out a further EIA as included in the Housing Strategy EIA.

(f) Land and Property Implications

James Elliman Homes will acquire the subject site's "affordable housing" from the developer as part of the Section 106 planning agreement. In effect this means that the rents of these units will be capped at "Slough Living Rent" or equivalent affordable levels in perpetuity under the control of James Elliman Homes. Thus enabling the council to protect the provision of "affordable housing" on this site for Slough residents. Eligible groups will include key workers, care leavers and homeless families.

5. Supporting Information

Background

- 5.1 The aims of James Elliman Homes include increasing housing supply whilst providing "affordable homes" and /or better quality homes for vulnerable client groups and key workers not currently entitled to council housing, or those facing too long a waiting time in temporary accommodation. A shared ambition was to provide temporary accommodation units directly rather than the council relying on the private sector where it costs up to £100 per night to house a homeless family with significant financial pressures being placed on the general fund.
- 5.2 The company was also set up as an exemplar landlord for the private rented sector in Slough, alongside alleviating financial pressures of homelessness and out of borough placements for children and adults.
- 5.3 It is accepted that this approach is interventionist and going forward the company is

ambitious to acquire more opportunities to acquire and deliver affordable housing solutions as outlined in the Housing Strategy, 2017.

6 Comments of Other Committees

None.

7. Conclusion

The purchase of the 15 units on the subject site will confirm the Council's intent to deliver one of its key housing aims through its subsidiary housing company James Elliman Homes. The purpose is to deliver the council's strategic with the Council itself intervening in the housing market by building or acquiring new quality homes to ensure they are "affordable" and directly contribute to the number of new homes delivered each year.

It is recognised that James Elliman Homes is a new venture for the Council in delivering its strategic housing aims and regular engagement with the Lead Cabinet Member and the Board of Directors of James Elliman Homes will be established in due course.

8. Appendices Attached

None

9. Background Papers

Report on Housing Strategy – Theme 1 (Supply of New Homes to the Overview and Scrutiny Committee on the 14th September 2017)