

## **Item 12 - Quercus Housing - Increasing the Delivery of Affordable Housing in the Sevenoaks District**

The attached report was considered by the Housing & Health Advisory Committee on 20 October 2021, was considered by Finance & Investment Advisory Committee on 4 November 2021. The relevant Minute extract from the Finance & Investment Advisory Committee is below.

### **Finance & Investment Advisory Committee (4 November 2021, Minute 27)**

The Deputy Chief Executive and Chief Officer - People & Places presented the report which set out Quercus Housing Guarantor Board's recent approval to amend The Quercus Housing Business Plan to enable prudential borrowing, which would enable Quercus Housing to take forward the purchase of Abbey Court in West Kingsdown for affordable rent accommodation.

The Deputy Chief Executive and Chief Officer - Finance & Trading set out that the report also sought the approval for the revised 2021/22 Capital Programme, which excluded the Property Investment Strategy Scheme and would give the Council access to Public Works Loan Board (PWLB) borrowing to enable the scheme to progress. A draw-down of a loan from prudential borrowing for up to £1,050,000 would be loaned to Quercus Housing in order to progress the capital purchase and refurbishment of Abbey Court, subject to due diligence. In turn this would increase the supply of new affordable homes delivered by Quercus Housing, the Council's affordable housing trading company.

Negotiations were taking place to purchase the former nursing home which could be converted into self-contained units at affordable rent, and be split between Local Housing Allowance and 80% of market rent. The Council's Housing team would use Abbey Court to provide suitable move on accommodation at affordable rent for households currently placed in temporary accommodation, whilst developing its Local Lettings Plan.

An offer of £700,000 to purchase the property had been submitted to the agent, with the estimated cost of refurbishment being £875,000 plus contingency fees. Currently there was insufficient s106 funding to support the refurbishment of the property, and so the draw-down of a loan from the PWLB was vital.

Members were advised that there remained a shortfall between the demand and supply of new affordable homes in the District. The lack of affordable housing had contributed to the rise of homelessness and, as the Council had a statutory responsibility to assist homeless residents that had created a greater financial burden upon the budget. The high cost of land in the District made it difficult for the Council's Registered Provider (RP) partner's to acquire land for building new affordable housing themselves.

The Deputy Chief Executive and Chief Officer - Finance and Trading advised that previously Councils were able to access PWLB funding but in the last year the rules and guidance had changed. These changes were due to the Government wanting to stop Council's investing for yield, such as our Property Investment Strategy (PIS) which was set up to deliver income from property to replace the lost Government funding.

As it stood at the moment, the Council could no longer borrow for the Property Investment Strategy and if the PIS remained in the capital programme, the Council would also be unable to borrow for any other purpose such as the scheme set out in the report.

The revised Capital Programme at Appendix C removes the Property Investment Strategy, opening up access to PWLB borrowing for the scheme. Members were advised that the role of the Committee was not to focus on the details of this specific scheme as such, but rather the concept of borrowing money for Quercus Housing to invest in affordable housing.

Members asked questions of clarification which centred around payment terms. Members were advised that there were penalties applied for early repayment of the PWLB loans, and Quercus Housing would repay the loan to the Council under the same terms.

#### Public Sector Equality Duty

Members noted that consideration had been given to impacts under the Public Sector Equality Duty.

Resolved: That it be recommended to Cabinet to recommend to Council that

- a) The revised 2021/22 Capital Programme (Appendix C of the report) that excluded the Property Investment Strategy scheme, that would give SDC access to Public Works Loan Board (PWLB) borrowing to enable the scheme to progress, be approved;
- b) The draw-down of a loan from prudential borrowing (for example, through PWLB) for up to £1,050,000 which would then be loaned to Quercus Housing (as the Trading company) to progress the capital purchase and refurbishment of Abbey Court (West Kingsdown), subject to due diligence, to support the delivery of affordable housing in the district, be approved; and
- c) The terms of the loan be determined at the point of draw down by the Deputy Chief Executive and Chief Officer - Finance and Trading, be agreed.