

QUERCUS HOUSING UPDATE

Housing and Health Advisory Committee - 17 January 2022

Report of: Chief Officer, People and Places

Status: For Consideration

Key Decision: No

Executive Summary: This report provides an update on Quercus Housing's completed investments and investment opportunities.

This report supports the Key Aim of: the Housing and Health Strategy 2017-2021.

Portfolio Holder: Cllr. Kevin Maskell

Contact Officer(s): Sarah Robson, Ext. 7219

Recommendation to Housing and Health Advisory Committee:

To receive and note report.

Reason for recommendation: At its meeting of 20 October 2021, the Housing and Health Advisory Committee requested an update on the progress of Quercus Housing.

Introduction and Background

1. At its meeting held on 20 October 2021, the Housing and Health Advisory Committee requested an update from officers on the progress of Quercus Housing.
2. Quercus Housing was set up by Sevenoaks District Council (SDC) as a not for profit, in order to make effective use of s106 commuted sums by investing in a long term supply of affordable homes within the Sevenoaks District. Quercus Housing will:
 - Increase affordable housing (in line with the Government's definition) supply available for SDC's use;
 - Contribute to meeting housing needs as set out within the Council's Housing Strategy and Local Housing Needs Study (May 2017) and as identified by the Council's Homelessness team based on their

experience of helping people who are homeless and for whom the Council has a statutory duty;

- Provide temporary accommodation and avoid the use of Bed & Breakfast
- Support older people to downsize and free up family homes;
- Meet the housing needs of working people on lower incomes;
- Invest in property assets that deliver a long term financial return so that this may be reinvested in additional affordable housing;
- Provide an ownership vehicle for affordable homes built by Quercus 7 where required under s106 Planning agreements;
- Make use of available s106 commuted sums;
- Purchase long-term empty homes.

Board Membership and Reporting Structure

3. The Quercus Housing Board consists of three SDC Chief Officers and two Non-Executive Directors who bring relevant property and finance expertise.
4. The Board report to the Guarantor Board (consisting of SDC Cabinet Members) on a quarterly basis.
5. The Council has delegated its responsibility for overseeing the trading activities of the Company to a Guarantor Board, and the Leader of the Council has been nominated as the shareholder representative.

Business Plan

6. The current Quercus Housing Business Plan covers the period April 2021 to March 2022 and was updated and approved by the Guarantor Board on 5 March 2020.
7. A target has been set for the Board, which is to provide 10 'genuinely affordable' homes each year.
8. Of the £6 million s106 monies intended for Quercus Housing, £2.75m was approved through Portfolio Holder decision to be allocated for the purchase of Gladedale House. The remaining monies were approved to be allocated to the purchase of 11-13 High Street. Therefore, the original £6 million of s106 monies has now been spent on the delivery of affordable housing.
9. In September 2021, the Quercus Housing Business Plan was revised, which would enable the company to undertake prudential borrowing, for example, through the Public Works Loan Board, via the Council, where appropriate and subject to the usual approval mechanisms, including the review of the financial compliance aspects and scheme viability in consultation with the Quercus Housing Guarantor Board.

Completed investments



10. In September 2019, Quercus Housing purchased the freehold of Gladedale House in Westerham, a property newly-converted into residential use. The Company signed a Local Lettings Policy Agreement with the Council, ensuring that the investment of s106 money in the property secured for the Council the appropriate tenure and rent levels. The property is made up of 14 one and two bedroom flats. Five of the units have been leased to Quercus 7 for market rent, 5 units conform to the new 'genuinely affordable' definition in that they are within the Local Housing Allowance rate and the remaining 4 units are 'intermediate rent', in that they are 80% of market rate and offered to local essential workers. This spread of affordability supports the Council's Housing strategy. All of the flats are now occupied. The total cost of the project was £3.771m, with £2.481 million funded from S106 affordable housing contributions and the remainder of the cost, paid for by Quercus 7, for its leasehold properties.

Investment Opportunities



11. Heads of Terms were agreed in December 2020 to acquire the freehold of 11-13 High Street, Swanley for £3,600,000 (15 flats at £240,000 per flat on average). The property is in the course of development and comprises 12 two bed flats and 3 one bed flats. The shops are to be retained by the developer on a 999 year lease at a peppercorn ground rent.
12. The flats will be held for letting purposes for residents within the district at affordable rents in an area which is popular with renters. Funding will come from off-site s106 contributions. Rental income will pay for the operation of the company and management of the properties and in meeting company objectives.
13. Quercus Housing finalised the exchange of contracts at the price agreed on 16 July 2021. The target date for practical completion is January 2022. Delay to completion has been as a result of disruption to the supply chain and workers absent due to Covid-19.
14. The former nursing home Abbey Court, West Kingsdown comprises 22 bedrooms, a shared living room and kitchens, which could be converted into approximately 19 self-contained units for affordable rent. The building requires refurbishment and alterations to provide the right mix of shared accommodation. In planning terms, the use would be a house in multiple occupation (HMO) requiring a change of use. An offer has been submitted by Quercus Housing to the agent. Quercus Housing's offer was not the highest, but is considered the most deliverable. A price has been agreed to modify the restrictive covenant and draft heads of terms issued to the agents, Savills.
15. However, there is currently insufficient s106 funding to support the total renovation costs. Although the project is not straightforward, it does provide a rare opportunity to meet a hard to fulfil need and therefore we are attempting to find a way forward and in a realistic timeframe given there is planning and refurbishment required. Solicitors have been instructed to undertake due diligence in order to properly evaluate the investment property, understand the property's potential and any risks involved in the purchase.
16. At its meeting held on 16 November 2021, Council agreed to undertake prudential borrowing of approximately £1 million via the Public Works Loan Board, which it would loan to Quercus Housing, to enable progress with the purchase and refurbishment of Abbey Court to support the continued delivery of affordable housing in the district.
17. 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, but would develop its Local Lettings Plan in consultation with local councillors and the parish council to also support residents with a local connection and housing need in West Kingsdown

Future Prospects

18. Investment opportunities continue to be actively pursued with the aim of having a pipeline of schemes that continue to meet the financial plan within the Business Plan approved by the Guarantor Board.

Other options Considered and/or rejected

Not applicable.

Key Implications

Financial

There are no financial implications resulting from this report.

Legal Implications and Risk Assessment Statement.

There are no legal implications resulting from this report. However, it should be noted that the Council's Head of Legal and Governance acts as Monitoring Officer for Quercus Housing. A Risk Strategy has been completed for Quercus Housing, with a Risk Assessment being monitored and reviewed quarterly by the Board.

Equality Assessment

The decisions recommended through this paper have a remote or low relevance to the substance of the Equality Act. There is no perceived impact on end users.

Net Zero Implications

The decisions recommended through this paper have a remote or low relevance to the council's ambition to be Net Zero by 2030. There is no perceived impact regarding either an increase or decrease in carbon emissions in the district, or supporting the resilience of the natural environment.

Conclusions

At its meeting held on 20 October 2021, the Housing and Health Advisory Committee, requested an update from officers on the progress of Quercus Housing. This report provides the advisory committee with an outline of progress to date.

Appendices
None
Background Papers
None

Sarah Robson

Deputy Chief Executive and Chief Officer - People and Places