

Slough Borough Council

Report To:	Cabinet
Date:	18 November 2024
Subject:	Acquisition of flats 1-10, Rigby Lodge, 1 Aldborough Spur, Slough, SL1 3EW deploying funds held in the Housing Revenue Account (HRA).
Lead Member:	Cllr Chahal – Deputy Leader and Cabinet Member for Financial Oversight, Council Assets, Procurement and Revenue & Benefits
Chief Officer:	Pat Hayes – Executive Director (Regeneration, Housing and Environment)
Contact Officer:	Peter Hopkins – Director (Property and Assets)
Ward(s):	Baylis & Salt Hill
Key Decision:	YES
Exempt:	NO, except appendix A and B under paragraph 3, Schedule 12A Local Government Act 1972 which relate to the financial and business affairs of a third party and the Council
Decision Subject To Call In:	YES
Appendices:	Confidential Appendix A – Valuation Confidential Appendix B - Stock Condition Surveys

1. Summary and Recommendations

- 1.1 This report sets out a recommendation for the HRA to proceed with the acquisition of the freehold of 10 flats forming Rigby Lodge, 1 Aldborough Spur, Slough, SL1 3EW (“the Asset”) in the sum of £1,450,000 + acquisition costs estimated at £115,000.
- 1.2 An external valuation supports the acquisition price on the basis of the asset’s Existing Use Value for Social Housing.
- 1.3 The acquisition is referenced in the Housing Revenue Account (HRA) 30yr Business Plan and Medium-Term Budgets 2024/25 which was approved by Council on 7 March 2024.

Recommendations:

- 1.4 Cabinet is recommended to:
 - a) Agree to the acquisition of the freehold of 1-10 Rigby Lodge, 1 Aldborough Spur, Slough, SL1 3EW.

- b) Delegate authority to the Executive Director of Regeneration, Housing & Environment, in consultation with the Lead Member for Financial Oversight and Council Assets and the Executive Director of Finance and Commercial, to negotiate the terms of and enter into the contract and any associated documentation in connection with the acquisition of the asset, subject to this being consistent with the assumptions in this report.

Reason:

- 1.5 The acquisition of the freehold Asset is in line with Housing Revenue Account (HRA) 30yr Business Plan and Medium-Term Budgets 2024/25.
- 1.6 The acquisition of the Asset will assist the Council in the provision of social housing and can be used for Temporary Accommodation to relieve current pressure on availability of suitable properties. The purchase supports the corporate priorities for:
 - “a Council that lives within its means, balances the budget and delivers best value for taxpayers and service users.”
 - “A town where residents can live healthier, safer lives and more independent lives.”

Commissioner Review

"Commissioners are content for this report to be considered."

2. Report

Introduction

- 2.1 On 26 February 2024 Cabinet approved the Housing Revenue Account (HRA) 30yr Business Plan and Medium-Term Budgets 2024/25. The plan recognised the Council's desire to deliver some new affordable housing units over the life of the Plan and that this could be best achieved by acquisition and redevelopment of existing properties as opposed to self-development of land.
- 2.2 The Asset is well known to the Council who have rented it from the vendors for several years in order to sublet the property to provide Temporary Accommodation.
- 2.3 Three of the ten flats comprising the Asset are currently occupied by Council clients. The other seven flats have been decanted. The lease expired seven years ago but we have continued to use the properties with the agreement of the vendor, The London & Quadrant Housing Trust ("L&Q").
- 2.4 The property will need works of maintenance, repair and redecoration prior to further use. These works have been allowed for in the purchase price and are accommodated within the Medium-Term Budgets 2024/25.

Options considered

- 2.5 Option A – To renew the lease. This has been explored and L&Q, the Registered Provider, is disposing of this property and will not renew the lease and for this reason the building is currently being decanted. This is not recommended.

- 2.6 Option B – To acquire the freehold interest in the asset. This option secures the asset for the Council initially for Temporary Accommodation use for as long as it is needed and at a price that reflects its use for long term Social Housing Purposes. **Recommended.**
- 2.7 Option C – To vacate the accommodation. The provisions of the lease will require the asset to be returned repaired and redecorated to its original condition. Works identified in the stock condition survey would form the basis of this and would result in an estimated cost of £290,000. If this property is sold on the open market it could be lost to the Social Housing sector entirely, or, if bought by a homeless family provider, it could be let to individuals from outside the Borough. This is not recommended.
- 2.8 Option D – To purchase the freehold in the General Fund and retain use as purely Temporary Accommodation. This would require the General Fund to take on the refurbishment works and on-going maintenance and management of the homes, at a time when funding such a programme would be difficult. An HRA acquisition is also better suited to accommodate the asset's transition into general Social Housing stock should TA need change over time. Option D is not recommended.
- 2.9 **Option B is recommended** to Cabinet for approval.

Background

- 2.10 The HRA is a ring-fenced revenue account for the purposes of accounting for social housing. Housing properties owned by the Council are generally held within the HRA. The Council is permitted to utilise its housing stock for the purposes of meeting its temporary accommodation duties. Costs associated with compliance with housing advice and homelessness duties must be met from the General Fund, however the housing management costs of using its own stock should be met by the HRA.
- 2.11 The Council currently rents the Asset from a registered provider, L&Q, and sublets the accommodation for the purposes of Part 7 Housing Act 1996 (use as Temporary Accommodation).

The Asset

- 2.12 The Asset is brick built with tiled roof and is approximately 20-30 years old. It comprises ten one bed flats arranged over two floors and has an estimated economic life in excess of 50 years, provided regular maintenance and repairs are carried out.
- 2.13 The block is located on the corner of Oatlands Drive and Aldborough Spur with the former leading towards central Slough to the south-east.
- 2.14 There are a number of secondary retail parades within walking distance including Baylis Parade being a two-minute walk. To the west is Farnham Road which has a larger retail presence and to the south of central Slough which has comprehensive retail and banking services.

2.15 It is an established residential location and close to transport and other amenities.

Valuation

2.16 The site has been valued externally by Kempton Carr Croft at £1,540,000 on the basis of its value for Social Housing.

2.17 They have also undertaken a stock condition survey and five year maintenance costs have been assessed as follows, totalling £291,900:

Summary of Proposed Terms

2.18 Heads of Terms have not been formally proposed or agreed but it is anticipated that this can be completed within two weeks of heads of terms being issued or such other reasonable period as agreed between the parties.

2.19 Because the Asset is being acquired at a price that reflects its value for Social Housing, which is lower than Market Value, the purchase contract may seek to restrict its use to Social Housing.

2.20 The valuation was made subject to legal checks, assumed vacant possession and assumed use for social housing. At present there is no proposal for overage to take account of any increased value if the property is sold in the future. If such a proposal is made or any further information is identified that impacts on the basis of the valuation, legal advice will be sought prior to entering into a contract for purchase. Delegated authority to the Executive Director is given on the basis the transaction is consistent with the assumptions in this report.

2.21 As the Asset is known to the Council it is anticipated that an exchange of contracts can take place within two months of receipt of a contract and full sales pack from the vendor's solicitor or such other reasonable period as agreed between the parties.

2.22 Three of the ten flats within the Asset are currently occupied by council tenants. The legal standing of the expired lease of the building within the Asset that the Council has with the vendors, as well as the status of the council tenancies will need to be reviewed and considered during the due diligence process.

3. Implications of the Recommendation

3.1 Financial implications

3.1.1 Cabinet is asked to agree to the freehold acquisition of the Asset, Flats1-10, Rigby Lodge,1 Aldborough Spur, Slough, SL1 3EW, and delegate to appropriate officers the terms and contract arrangements for its purchase.

3.1.2 Rigby Lodge is a two-storey residential detached building of ten one-bedroom flats with parking used for social housing and temporary accommodation. The property has been valued at £1.540m and a purchase price of £1.450m has been agreed with the vendors. Other associated costs include SDLT and legal fees estimated at £0.115m resulting in a total acquisition costs of £1.565m

3.1.3 In addition to the acquisition costs an estimate £0.290m is required to refurbish all 10 flats resulting in a total costs of £1.855m over two years. The approved HRA

30yr Business Plan 2024/25 and 5yr HRA capital programme include budget provision for the acquisition of Rigby lodge of £1.750m in 2024/25 and a further £0.250m in 2025/26 for refurbishment costs. The total £2m capital budget provision over 2 years provides adequate budget cover for the estimated costs of £1.855m. These costs are intended to be funded from retained HRA right to buy capital receipts as the purchase will help increase the supply of affordable social housing in Slough. In July 2024, Government confirmed flexibility for local authorities to use retained receipts to support 100% of expenditure on the new provision of housing (alongside s106 receipts) until the end of 2025/26.

- 3.1.4 Once acquired, ongoing maintenance and capital improvements of these flats will form part of the HRA repairs & maintenance and capital improvement programme. Equally rental income from these flats will be accounted for in the HRA.
- 3.1.5 The acquisition will increase the supply of affordable social housing stock which can be used to deliver TA and gradually move away from expensive spot rental prices from private landlord which are currently putting significant strain on Council's resources. If the properties are not purchased, the council will have to upgrade and repair the properties under the terms of the lease, at an estimated £290k and to hand back vacant possession to the landlord. The acquisition will guarantee price and budget going forward which will deliver significant savings to the Council's budgets. With regard to those units used for mitigating homelessness, rent levels will need to be set at a level that demonstrates sustainability of the HRA without adding additional burden to the General Fund.

3.1.6 In terms of Value for Money it is anticipated that the acquisition and refurbishment will pay for itself within twenty-five years in the HRA and within six years through using the units to reduce Temporary Accommodation provider costs and savings on HB subsidy loss. The table below profiled over 10 year intervals and 30 years reflects estimated benefits to the HRA, GF and SBC as a whole from the acquisition of the properties.

Value for money (VfM) assessment - Rigby Lodge Acquisition

Description	Y1-10 £'000	Y11-20 £'000	Y21-30 £'000	30ys Total £'000
Acquisition costs	£1,450	£0	£0	£1,450
SDLT & legal costs	£115	£0	£0	£115
Refurbishment costs	£290	£0	£0	£290
Estimated annual Repairs & Maintenance costs	£129	£192	£235	£556
Total expenditure	£1,984	£192	£235	£2,411
Rental Income	-£728	-£1,001	-£1,220	-£2,948
Total Income & savings	-£728	-£1,001	-£1,220	-£2,948
Net Benefits - HRA	£1,256	-£808	-£985	-£538
Estimated savings on Lease end repairs costs	-£290	£0	£0	-£290
Estimated savings on TA provider costs	-£1,521	-£2,095	-£2,554	-£6,171
Estimated savings on HB subsidy loss	-£994	-£1,366	-£1,665	-£4,025
Net Benefits - GF	-£2,805	-£3,461	-£4,219	-£10,485
Net Benefit - SBC (HRA & GF)	-£1,549	-£4,270	-£5,205	-£11,023

- 3.1.7 Comparative costs for new supply indicate a unit cost of some £300k, a 60% uplift on those set out in this proposal, and notwithstanding reduced annual repairs and

maintenance cost over the medium term would not match the financial benefit outlined in the table above.

3.2 *Legal implications*

3.2.1 Under Part 7 of the Housing Act 1996 the Council has duties in relation to the provision of advice and assistance for prevention of and support to those who are at risk of or find themselves homeless. A statutory code of guidance for homelessness has been published. This requires the Council to have in place a homelessness strategy based on a review of homelessness in the local area. The strategy must be reviewed at least every 5 years. This strategy must set out the Council's plans for the prevention of homelessness and for securing that sufficient accommodation and support are or will be available for people who become homeless or who are at risk of becoming so. Any accommodation provided in furtherance of homelessness duty must be suitable, regardless of whether this is provided from the Council's own housing stock or via a third-party landlord.

3.2.2 Chapter 16 of the statutory guidance contains guidance on securing accommodation. The Council can discharge its duties by securing that suitable accommodation is provided by itself, securing that the applicant obtains suitable accommodation from some other person or giving advice and assistance as will secure accommodation is available from some other person. The Council may secure temporary accommodation from its own housing stock. In considering whether to do so, the Council must balance the requirements of applicants owed a duty under Part 7 of the 1996 Act against the need to provide accommodation for others who have a reasonable preference for an allocation under Part 6 of the 1996 Act. The Housing Act 1985 provides that tenancies are normally regarded as secure tenancies, however there are exceptions set out in Schedule 1. One exception is a tenancy provided in pursuance of functions under Part 7 of the 1996 Act. This means a tenancy granted for the purposes of temporary accommodation duties will not be a secure tenancy, nor can it be, as such a tenancy can only be granted in accordance with the Council's published allocation scheme.

3.2.3 The Council has a power to acquire land, houses or buildings which may be suitable as houses under s.9 and s.17 of the Housing Act 1985. Any land held for the purposes of s.74 of the Housing and Local Government Act 1989, which includes land acquired under s.9 and s.17 of the Housing Act 1985, must be accounted for within the HRA. The Government has provided operational guidance on the operation of the HRA. This refers to case law in relation to decisions on costs associated with homelessness administration. Only costs associated with the management of houses and other property can be included in the HRA. All costs of housing advisory services should be accounted for the General Fund. The Council can charge its agreed social rent to tenants under a non-secure tenancy and such rents should be accounted for within the HRA. This is more cost effective for the General Fund as it reduces its reliance on private sector accommodation let at rates above the Local Housing Allowance.

3.2.2 H B Public Law will be instructed to act for the Council on the acquisition and will conduct all legal due diligence.

3.3 **Environmental implications**

3.3.1 No negative environmental implications have been identified as a direct result of this report and the refurbishment of the property will improve energy efficiency.

3.4 Equality implications

- 3.4.1 As the asset will continue in its existing use there are limited immediate equality implications with the acquisition of this site.
- 3.4.2 The HRA business plan, of which this acquisition is a part, is an operational document on the delivery of the landlord function by the council. It recognises the value of Equalities Impact Assessments to ensure that equality issues are addressed, and necessary adaptations are included as essential work within the capital programme.

3.5 Procurement implications

- 3.5.1 There are no procurement implications.

3.6 Workforce implications

- 3.6.1 No workforce implications have been identified as a direct result of this report.

3.7 Property implications

- 3.8.1 The acquisition of the Asset will permanently secure the provision of ten residential units that help address pressures on the HRA to provide Temporary Accommodation in a time of increasing demand. Fundamentally, however, the Asset comprises residential accommodation that should circumstances change in the long term would be suitable for other Social Housing needs.

4. Background Papers

- 4.1 None