

# Executive Decision Report

# A6

<b>Decision maker(s) and the earliest date the decision will be taken</b>	Leadership Team (Executive) Date of Meeting: 24 August 2017 Date of report: 18 August 2017 Key Decision Reference Number: 05105/17/K/AB	 THE ROYAL BOROUGH OF KENSINGTON AND CHELSEA
<b>Report title</b>	Acquisition of Residential Properties to Meet Urgent Housing Needs Following the Fire at Grenfell	
<b>Reporting officer</b>	Richard Egan, Director of Corporate Property	
<b>Key decision</b>	Yes	
<b>Access to information classification</b>	Public Report with Exempt Part B Appendix not for publication by virtue of information relating to the financial or business affairs of any particular person (including the authority holding that information).	

## ***Reason for General Exception (Urgency)***

*In order to provide permanent housing options for the residents affected by the Grenfell Tower fire it is necessary to acquire residential properties quickly, therefore it is not possible to give the 28-day statutory notification of the Key Decision as publication of the intention to make a key decision is impracticable and urgency provisions as set out in the Council's constitution are being used.*

## **1.0 EXECUTIVE SUMMARY**

- 1.1 The Council has an urgent requirement for residential accommodation following the Grenfell Tower fire to rehouse residents within the Borough.
- 1.2 Officers have undertaken an initial search for accommodation for immediate need identifying and securing some 106 homes. However, it is recognised that there still remains a significant shortfall of accommodation to meet needs and whilst longer term solutions maybe delivered through future development immediate need will only be satisfied by acquisition of properties in the open market on an individual basis.
- 1.3 It is recommended that the Council agree an initial budget of £20 m to purchase such properties and that delegated authority be given to the Director of Property and Director of Finance in in conjunction with the (acting) Director of Housing to proceed with these transactions in consultation with the Housing Allocation teams identified needs.

- 1.4 A broad business plan has been developed that sets out an operating model for the purchase of the properties to ensure value for money.
- 1.5 Acquiring a portfolio of permanent properties can enable the Council to provide and control suitable quality accommodation for those households affected by the Grenfell Tower fire.
- 1.6 The Council will own and control these assets: if maintained properly the properties should appreciate in value based on historical house price inflation trends.

## **2.0 RECOMMENDATIONS**

- 2.1 Authorise the Director of Property and Director of Finance in conjunction with the (acting) Director of Housing to acquire properties on the open market for the purpose of providing residential accommodation in line with the offer to Grenfell residents, drawn from an initial budget of £20m, including the purchase price, initial repairs and refurbishment and acquisition costs on the basis set out in the business plan.
- 2.2 To agree that provision of £20m be ear marked from reserves for the purchase of such properties. This will be recorded against the code for Grenfell related expenditure. The majority of the budget is likely to be spent in 2017/18.
- 2.3 Authorise the Director of Property and Director of Finance following consultation with the (acting) Director of Housing to appoint such necessary professional advisors to identify and acquire the properties.
- 2.4 Authorise the Director of Property and Director of Finance following consultation with the (acting) Director of Housing to appoint agents for the management and repair of properties.
- 2.5 Authorise the Director of Property and Director of Finance following consultation with the (acting) Director of Housing to agree the acquisition of individual properties subject to a satisfactory legal report on title.

## **3.0 BACKGROUND**

- 3.1 Officers have been considering options for urgently providing the number of residential properties the Council requires in order to support the housing need following the Grenfell fire.
- 3.2 It is evident that whilst there are a number of potential longer term solutions to deliver new housing there is an immediate need which can only be satisfied by the acquisition of properties in the open market on an individual rather than block basis.
- 3.3 The acquired properties will be made available as both temporary and permanent accommodation to households affected by the Grenfell fire.

## **4.0 BENEFITS IN PURCHASING PROPERTIES**

4.1 There are a number of benefits:

- **Quality and stability** - increasing the supply of good quality accommodation for households displaced by the Grenfell fire.
- **Available stock** - there is a supply of homes which are financially viable within the north of the Borough predominantly focusing on W10 and W11 postcodes. Where there are specific needs homes may be acquired elsewhere within the parameters set in this report
- **Quicker than other options** - as the homes already exist this portfolio can be acquired in a relatively short period in order to assist immediate demand.
- **Long term asset value** - the homes have a long term asset value which can be realised at a future date if appropriate and any appreciation in value realised for the properties could provide either a capital receipt or income /stream to support service provision.
- **Potential to reduce operating costs** - acquisition will allow households to be relocated from Hotels, PRS and other such temporary accommodation suppliers.
- **Greater ability to plan financially for the future** - costs are under the Council's control and spend relating to these properties can be more accurately predicted.

## **5.0 BUSINESS PLAN MODELLING**

### **5.1 Business Plan Assumptions**

5.1.1 The business plan assumptions used are set out in Appendix 1.

### **5.2 What Properties are to Be Purchased**

5.2.1 The current requirement shows a significant shortfall of 1 bed accommodation although some 2 and 3 bed homes may be needed.

5.2.1 The purchase programme will be driven by the needs of the households to be rehoused.

### **6.0 Acquisition Costs**

6.1.1 Acquisition costs in relation to the £20m budget will be made available from the General Fund and are expected to include agents, legal and other professional fees along with Stamp Duty at the appropriate level.

6.1.2 Additionally some refurbishment, redecoration and purchase of white goods, furniture and other household items may be required on a purchase by purchase basis.

## **7.0 IMPLEMENTING THE BUSINESS PLAN**

7.1 The Council would need to ensure that there are effective processes in place for identifying potential property purchases and their subsequent management. A number of considerations are set out in the section below.

### **7.3 Criteria for Purchasing Properties:**

7.3.1 The following criteria would be used in purchasing properties:

- Property availability
- Quality and suitability
- Potential future capital return
- Focus on 1 and 2 bedroom properties with others as needs identified.
- Predominant focus on W10 and W11 postcodes
- Local Authority support
- Services and employment opportunities (schools, hospitals, transport, jobs).

### **7.4 Property Locations**

7.4.1 The market research has identified a range of properties within a price range of £500,000- £1,500,000, to ensure we can purchase according to need.

### **7.5 Rents to be Charged**

7.5.1 Rents will be set by the Housing Department according to the appropriate policy applicable to the resident's status and subject to Council commitments made to the households displaced by the Grenfell fire.

### **7.6 Acquisition and other costs**

7.6.1 It is anticipated that one off costs may be needed for each individual property purchased to ensure that these were of a satisfactory quality to let and to provide facilities such as white goods. Thereafter repairs, maintenance costs and voids works and a contribution towards a sinking fund would be included within the management costs. Additional capital costs would also be incurred for the acquisitions e.g. stamp duty.

### **7.7 Managing the Stock**

7.7.1 The Council could choose to manage the purchased stock directly or could contract with an intermediary to oversee the management of the properties. Corporate Property Services has a framework of suppliers that could be used. This needs to be considered in the light of the long term management of the Council's total housing stock.

7.7.2 Corporate Property would manage and implement acquisitions supported by such agents and other professional advisors as required.

### **7.8 Allocating the Properties**

7.8.1 Properties will be targeted in conjunction with the Housing Allocation Team to ensure acquisitions meet the needs.

7.8.1 Allocations will be made by the Housing Allocations Team who will be responsible for ensuring a necessary steps are taken to create a tenancy and apply the allocation of properties to persons affected by the Grenfell fire.

## **7.9 Exit strategy**

7.9.1 As mentioned above the properties which will be acquired under this report will be offered both as temporary and permanent accommodation to their targeted users being households affected by the Grenfell fire. Officers are aware that there may be situations where properties become vacant after being used for temporary accommodation by their targeted users and/or other targeted users cannot be identified to occupy such vacant properties. In those situations, the Council can either use the properties to discharge their duties as a local housing authority to provide temporary accommodation to households in need, can either devise arrangements to rent out the properties on the open market or can look at realising the capital invested by selling the property on the open market. certain situations. The Director of Property, Director of Housing and Director of Finance will consult on deciding what to do with any vacant property and accordingly decisions will be sought via the established governance routes.

## **8.0 TIMETABLE FOR IMPLEMENTATION**

8.1 The timetable for implementation is set out below

<b>Action</b>	<b>Timeline</b>
KDR Agreed	August 2017
3 <sup>rd</sup> party management arrangement agreed	September 2017
Purchasing of properties commences	August 2017
First occupant into the first property	September 2016

## **9.0 FINANCIAL IMPLICATIONS**

### **9.1 Temporary Accommodation Costs**

9.1.1 Currently the Council is spending over £1,000 per household each week on temporary accommodation following the fire.

9.1.2 Acquisition of additional homes will enable households to be rehoused in a more appropriate manner.

### **9.2 Comments by the Director of Finance**

9.2.1 These purchases will be funded initially from the Council's reserves and their cost will be charged to the account for Grenfell-related expenditure. The purchase will therefore be made with General Fund resources. A decision will be made later as to whether to transfer these properties to the HRA, once the full cost of the Grenfell fire is known.

9.2.2 A financial modelling and appraisal process has been established to ensure that properties are obtained at fair market price and that they represent value for money.

9.2.1 Whilst the running costs of these properties is likely to cost less than temporary accommodation, it is also unlikely that a social rent will be adequate to cover the full costs of ownership. This difference will need to be quantified and financed as part of the Grenfell-related expenditure.

### **9.3 Business Plan**

9.3.1 A high level summary of the financial implications arising from the Business Plan is provided at Appendix 1.

## **10.0 LEGAL IMPLICATIONS**

10.1 Local Authorities have many general powers to purchase land but section 120 Local Government Act 1972 provides a general power to acquire by agreement. A local authority may purchase for the purposes of their functions or for the benefit or improvement of their area under section 120.

10.2 Section 120 can be used to purchase land inside or outside the borough and whether or not such land is needed immediately or not. Where the land is not needed immediately the Council can use the purchased land to discharge any of its functions.

10.3 This report seeks authority to acquire properties which will address an immediate need of what is believed to be mainly temporary accommodation for the households affected by the Grenfell fire.

10.4 In implementing the authority provided by this report, officers will have due regard to their fiduciary duties to protect public funds and obtain best value.

## **11.0 SUSTAINABILITY**

11.1 The proposal is neutral in terms of sustainability.

## **12.0 CONSULTATION**

12.1 No external consultation has been undertaken

## **13.0 EQUALITY IMPLICATIONS**

13.1 There are no equality implications.

## **14.0 CONCLUSIONS**

- The Council needs to acquire for immediate occupation additional suitable residential accommodation to meet needs following the Grenfell fire.

- Longer term redevelopment strategies will provide additional stock available to the Council but in a timetable of 3 to 5 years which is not acceptable for the immediate need.
- Purchasing properties on the private market will allow the Council to make positive progress in securing quality accommodation to house those currently in temporary accommodation and hotels.
- £20m will support the purchase of residential market properties in the North of Kensington.
- The Council will have control and management over these assets.
- Given the fast pace of the housing market delegated authority will need to be given to officers to ensure that purchases can proceed in a timely manner; any purchase will have to be agreed by the Director of Property and Director of Finance in conjunction with the (acting) Director of Housing.

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