

READING BOROUGH COUNCIL

REPORT BY THE DIRECTOR OF ENVIRONMENT AND NEIGHBOURHOOD SERVICES
AND DIRECTOR OF FINANCE

TO:	POLICY COMMITTEE		
DATE:	17 JULY 2017	AGENDA ITEM:	14
TITLE:	HOMES FOR READING: AMENDMENT TO SHAREHOLDER AGREEMENT		
LEAD COUNCILLOR:	CLLR TONY PAGE	PORTFOLIO:	LEADERSHIP
SERVICE:	HOUSING/FINANCE	WARDS:	BOROUGHWIDE
LEAD OFFICER:	ALAN CROSS	TEL:	0118 9372058
JOB TITLE:	HEAD OF FINANCE	E-MAIL:	Alan.Cross@reading.gov.uk

1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 In March 2016 Council agreed to create a housing company wholly owned by the Council with the aim of the company purchasing, over a 5 year period, 500 existing (and potentially new) residential properties to rent. The financial modelling was predicated on there being no overall cost to the Council and a proportion of the homes (as an aggregate over the life of the business plan) being provided at sub-market rent to homeless households, subsidised by letting the remainder at market rent.
- 1.2 In March 2017 Policy Committee approved the Financial Business Plan, funding agreement and revised the shareholder agreement.
- 1.3 This report further revises the shareholder agreement to increase the threshold at which shareholder consent is required from £1m to £3m, to enable HfR to purchase smaller blocks of flats or portfolios of properties without needing to call an urgent Policy Committee.

2. RECOMMENDED ACTION

Policy Committee is asked approve an amendment to the Shareholder Agreement between the Council and Homes for Reading Ltd (that formed Appendix 1 to the report to Policy Committee on 13 March by changing clause 31 from "enter into any contract with a value in excess of £1,000,000" to "enter into any contract with a value in excess of £3,000,000.

3. POLICY CONTEXT AND BACKGROUND

- 3.1 In March 2016 Council agreed to create a housing company wholly owned by the Council with the aim of the company purchasing 500 existing (and potentially new) residential properties to rent. The modelling was predicated on there being no overall cost to the Council and a proportion of the homes (as an aggregate over the life of the business plan) being provided at sub-market rent to homeless households, subsidised by letting the remainder at market rent.

- 3.2 In March 2017 Policy Committee approved various documentation, including a revised shareholder agreement, which set out various things that cannot be done without shareholder consent. Since March 2017 we have continued to progress developing the company and at the time of writing it was beginning to make offers to purchase appropriate properties to build the portfolio. In doing the work necessary to come to this stage, it has become apparent that on occasion there are small portfolios of properties or smaller single blocks that might meet the purchase criteria, but will cost more than £1m.

4.0 THE PROPOSAL

- 4.1 Whilst officers have explored these, the need to get Council consent has been seen as a potential barrier to such acquisitions proceeding quickly, with the inherent risk that HfR may lose the opportunity (and a lot of abortive work get done, wasting resource). Having reflected on this, officers have concluded that a higher limit of £3m would be more appropriate, in the context of the company's ambition to purchase an average of about 2 properties each week. The £750,000 limit on individual property purchases would remain unchanged, and in circumstances where a group purchase were proceeding there would be checks that individual properties continue to meet this criterion.

5. CONTRIBUTION TO STRATEGIC AIMS

- 5.1 This proposal will contribute to the service priorities set out in the Council's Corporate Plan 2015-18 of providing homes for those in most need.

6. COMMUNITY ENGAGEMENT AND INFORMATION

- 6.1 There is no requirement in legislation or in guidance to consult with other agencies or stakeholders on the proposal.

7. EQUALITY IMPACT ASSESSMENT

- 7.1 Under the Equality Act 2010, Section 149, a public authority must, in the exercise of its functions, have due regard to the need to—
- eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
 - advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
 - foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

- 7.2 As in March, the Equality Impact Assessment (EIA) does not indicate that the recommendation will have a disproportionate impact on any protected group.

8. LEGAL IMPLICATIONS

- 8.1 None related to this proposal

9. FINANCIAL IMPLICATIONS

- 9.1 The financial model for HfR was developed by Savills Financial Services with officers providing and agreeing assumptions. As previously noted, the modelling is predicated on there being no overall cost to the Council, which intends to borrow

money and in turn support the housing company through the provision of loans and subscription to share capital. Both the loans (which will be for more than one year) and share capital will be accounted for as capital expenditure.

- 9.2 The proposal will allow more purchases to proceed more quickly, provided they can be financed within the funding arrangements agreed in March. State Aid, VFM & Risks are not materially changed by the proposal.

10. BACKGROUND PAPERS

- i) PROPOSAL TO ESTABLISH A COUNCIL OWNED HOUSING COMPANY: Report to Council - 22 March 2016
- ii) APPOINTMENT/NOMINATIONS TO OTHER BODIES FOR THE MUNICIPAL YEAR 2016-17: report to Policy Committee - 25 May 2016
- iii) HFR - BOARD AUTHORITY TO ALLOT SHARES: Report to Policy Committee - 31 October 2016
- iv) HOMES FOR READING: MOBILISATION, FUNDING AND BUSINESS PLAN - 13 March 2017