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Finance and Assets Policy Development Advisory Group **29 NOVEMBER 2016**

Present: Councillors: Brian Donnelly (Chairman), Paul Clarke, David Coldwell, Leonard Crosbie, Nigel Jupp, Tim Lloyd and Stuart Ritchie

Apologies: Councillors: John Bailey, John Chidlow and Adrian Lee

Also Present: Councillor Newman.

1 **CREATION OF A COMPANY FOR THE DEVELOPMENT OF TEMPORARY HOUSING**

The Chairman explained that the Council had a duty to provide temporary housing for people in housing need and owned a stock of residential units which were used for that purpose. The Council had 59 units with a further 17 due in the spring of 2017, on completion of the Council's residential development in the Bishopric, Horsham.

Officers explained that it was expected that the Council would require additional temporary housing to satisfy future increases in demand, consequent to population growth. The group heard that the Council could take a reactive approach and acquire new temporary accommodation units only when demand exceeds supply, or it could acquire accommodation in advance of the demand arising. The risk of the former approach was that the Council would need to use bed and breakfast accommodation to house people, which was expensive, and the risk of the latter approach was that the Council may have a surplus of stock over demand.

It was proposed that the Council should take steps to expand the temporary accommodation portfolio in the expectation that demand will exceed supply, but to structure this in a way that provided the Council with the commercial flexibility, if required, to let the properties on assured shorthold tenancies, thus avoiding the previously identified risks.

The best way of achieving commercial flexibility was to create a company for the development and management of new housing. The Company would be a wholly owned subsidiary of the Council and the strategic direction of the Company would rest with the Council to ensure that the company's activities were in line with the Council's corporate priorities, policies and strategies.

Members, broadly supportive of the proposal, queried:

- The composition of the Board of the company, and its governance arrangements
- Whether, based on need, the company could be used as a vehicle for the development of affordable homes

- Whether capacity was already sufficient for the future
- Funding sources

Officers responded

- That further work was need to define the composition of the Board and its governance arrangements
- That a further report relating to affordable housing would be prepared in the new year
- That a Business Plan to address predicted demand, and sources of funding would be developed

The Chairman thanked members for their views and surmised that more detail was needed, including the exploration of options relating to affordable housing, the clarification of the governance arrangements and Board composition of the company and the preparation of a Business Plan.

2 **ALLOCATION OF A BUDGET FOR THE PURCHASE OF INVESTMENT PROPERTY**

The Chairman explained that the Council had extensive property interests, including investment property; property used for the delivery of council services; and other miscellaneous land holdings. The Council's policy was to improve the quality of the portfolio and where appropriate rationalise interests and effect sales of low or non-income producing property. On 9th September 2015, Council approved a £5m budget for purchasing investment property, which generated an additional revenue stream to support the Council's activities.

Cabinet was proposing to continue the strategy of purchasing commercial property investments, which would be funded by either internal resources or borrowing. It was proposed to repay any borrowing (either internal or external) with capital receipts from the sale of low or non-income producing assets. The report to Cabinet recommended to Council the creation of a budget of £15m, to be used to purchase investment property over a five year time horizon. This would allow the Council to remain an active investor in the commercial property investment market. It would be recommended that the target yield should be 6% or such other target determined by Cabinet, and monitored by the Finance and Performance Scrutiny Sub-Committee.

Members noted that all acquisitions in excess of £250,000 would be formally decided by Cabinet in accordance with the Council's constitution.

Members were broadly supportive of the proposal and commented that consideration be given to the availability of low interest rates and that alignment with economic development priorities would be beneficial.

The Chairman thanked the group for their support and explained that each proposed acquisition would have a robust business plan which would take account of the matters raised by the group. Furthermore, the Chairman requested that officers clarified the role of the sub group that had been formed at the first meeting with regard to the forthcoming changes to the constitution, at the next meeting of the group, scheduled for 19 December.

The meeting closed at 17:50

CHAIRMAN

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