

You are hereby summoned to attend an adjourned meeting of the

MAIDSTONE BOROUGH COUNCIL

Date: Monday 5 October 2020

Time: 6.30 p.m.

Venue: Remote Meeting - The public proceedings of the meeting will be broadcast live and recorded for playback on the Maidstone Borough Council website

Membership:

Councillors Adkinson, Bartlett, Mrs Blackmore, Brice, Brindle, D Burton, M Burton, Chappell-Tay, Clark, Cox, Cuming, Daley, English, Eves, Fermor, Fissenden, Fort, Garland, Garten, Mrs Gooch, Mrs Grigg, Harper, Harvey, Harwood, Hastie, Hinder, Joy, Khadka, Kimmance, Lewins, McKay, Mortimer, Munford, Naghi, Newton, Parfitt-Reid, Perry, Powell, Purle, Mrs Ring (Mayor), Mrs Robertson, D Rose, M Rose, Round, J Sams, T Sams, Spooner, Springett, Vizzard, Webb, de Wiggondene-Sheppard, Wilby and Young

AGENDA

Page No.

1. Apologies for Absence
2. Disclosures by Members and Officers
3. Disclosures of Lobbying
4. To consider whether any items should be taken in private because of the possible disclosure of exempt information.
5. Report of the Head of Policy, Communications and Governance - Call-In of Policy and Resources Decisions on Property Acquisition 1 and Property Acquisition 2 1 - 6

PART II

To move that the public be excluded for the item set out in Part II of the Agenda because of the likely disclosure of exempt information for the reason specified having applied the Public Interest Test.

Issued on Friday 2 October 2020

Continued Over/:

Alison Broom

Alison Broom, Chief Executive

**Head of Schedule
12A and Brief
Description**

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|----|---|--------------------------------|--------|
| 6. | Exempt Appendix 2 to the Report of the Head of Policy, Communications and Governance - Call-In of Policy and Resources Decisions on Property Acquisition 1 and Property Acquisition 2 | 3 – Financial/Business Affairs | 7 - 30 |
|----|---|--------------------------------|--------|

INFORMATION FOR THE PUBLIC

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COUNCIL MEETING

30 SEPTEMBER 2020

CALL-IN POLICY AND RESOURCES DECISIONS ON PROPERTY ACQUISITION 1 and PROPERTY ACQUISITION 2

Final Decision-Maker	Council
Lead Head of Service	Angela Woodhouse, Head of Policy, Communications and Governance
Lead Officer and Report Author	Ryan O’Connell, Democratic and Electoral Services Manager
Classification	Public
Wards affected	All

Executive Summary

A Call-In has been received on two Part II Policy and Resources decisions taken on 16 September 2020. Property Acquisition 1 and Property Acquisition 2.

Purpose of Report

Decision

This report makes the following recommendation to Council:

That the Council consider the matter and agree one of the following:

1. To endorse the original Policy and Resources Committee decisions; or
2. Substitute different decisions in place of either of the decisions of the Committee.

Timetable

Meeting	Date
Council Meeting	30 September 2020

CALL-IN POLICY AND RESOURCES DECISIONS ON PROPERTY ACQUISITION 1 and PROPERTY ACQUISITION 2

1. INTRODUCTION AND BACKGROUND

1.1 A Call-In signed by twelve Members has been received on two Part II Policy and Resources decisions taken on 16 September 2020. Property Acquisition 1 and Property Acquisition 2. Part I Minutes summarising the Part II discussion and providing the decisions have been produced.

1.2 The reasons given for the call-in are as follows:

- a) That the Council's investment in properties to be let at market rents in no way supports housing delivery in the Borough. This is evident in the fact that the properties in question will be delivered, regardless of the Council's intervention. The assertion that our acquiring the properties will support housing delivery was made by both Officers and Members during the Policy and Resources Committee meeting. We believe that this incorrect assertion will have contributed to the eventual decision of the Committee in favour of the acquisitions and therefore the decisions themselves are inherently flawed.
- b) We firmly believe that property acquisitions made by the Council should directly 'add value' for the residents of this Borough. An example of this would be in purchasing properties to be let at social, or affordable rents, particularly if the properties being acquired would be unlikely to be made available in this manner otherwise. It is our view that neither of these acquisitions meet this criterion.
- c) Further to this point, it is entirely possible that the acquisitions may, in fact, be to the detriment of our constituents. Anecdotally, we know that the properties in question in Property Acquisition 2 are currently being withheld from general availability, pending this arrangement with the Council.
- d) It is also the case that bulk purchases by Local Authorities add to the excess demand in the housing market and, in turn, to the inflationary pressure that keeps many residents of our Borough priced out of home ownership.
- e) Finally, we believe that there is a substantial risk of reputational damage to the Council in pursuing these acquisitions. Particularly in the current economic circumstances created by the global coronavirus pandemic, it will almost certainly be poorly received by residents that the Council is using its borrowing capacity to fund investments for investments' sake. Questions will undoubtedly be raised about the nature of the relationship between the Council and developers and the perception of a preferential arrangement that appears to give the Council a kind of 'first refusal' on property acquisitions, over and above the legitimate interest of our constituents, who may also wish to

purchase homes in these areas of the Borough. Furthermore, it does seem to be imprudent to be pursuing such arrangements at a time when HM Treasury has expressed concern and is reviewing these types of activities with a view to prohibiting Local Authorities from using Public Works Loans in this manner.

2. AVAILABLE OPTIONS

- 2.1 To endorse the original Policy and Resources Committee decisions.
 - 2.2 Substitute different decisions in place of either of the decisions of the Committee.
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3. PREFERRED OPTION AND REASONS FOR RECOMMENDATION

- 3.1 It is for the Council to consider the call-in.
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4. RISK

- 4.1 Considered in the reports to Policy and Resources (Appendix 2).
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5. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK

- 5.1 The decisions were taken at Policy and Resources on 16 September 2020.
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6. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION

- 6.1 The decision of Council is final.
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7. REPORT APPENDICES

Appendix 1 – Part I Minutes of the Part II decisions on Property Acquisition 1 and Property Acquisition 2

Exempt Appendix 2 – Part II Reports from Policy and Resources on 16 September 2020 - Property Acquisition 1 and Property Acquisition 2

8. BACKGROUND PAPERS

None

POLICY AND RESOURCES COMMITTEE
EXTRACT FROM PART I MINUTES OF THE MEETING HELD ON
16 SEPTEMBER 2020

NN. PROPERTY ACQUISITION 1

The Housing Delivery Manager introduced the report and referenced the Housing Development and Regeneration Investment Plan that was agreed by the Committee in July 2017.

The Committee were informed that of the properties 12 would have two bedrooms and 2 would have one bedroom and parking facilities were available for all properties. Upon completion, the properties would be managed by Maidstone Property Holdings Ltd (MPH). The predicted internal rate of return, calculated on the total Net Market Rental Income meets the financial hurdle rate set for such investments.

Several Members of the Committee expressed doubt in the suitability of the proposed acquisition as they felt that the investment may not necessarily bring about new supply of housing in the market place, as they were homes that would otherwise be available for market sale. Concerns were raised about the lack of social and affordable housing provided and it was clarified that this investment was in accordance with the agreed investment plan which did include affordable housing on other sites.

The Committee considered the investment opportunity and predicted income generated for the Council, as opposed to other methods of increasing income that included an increase in fees and charges and Council Tax. The Committee felt that as the Council's housing company, Maidstone Property Holdings would become the landlord, it would be in a strong position to offer tenancy longevity and a high quality service.

RESOLVED: That

1. The financial returns for the scheme shown at Exempt Appendix 2, which support the Housing Development and Regeneration Investment Plan, be noted;
2. The Director of Finance and Business Improvement be granted delegated authority to enter into a land transaction and development agreement with the developer, together with any related appointments, legal actions, deeds and agreements which may be required to facilitate the purchase;
3. The Head of Mid-Kent Legal Services be authorised to appoint the Solicitors required to complete the necessary contract documentation, heads of terms, deeds and agreements associated with the purchase on the terms as agreed by the Director of Finance and Business Improvement;

4. The Director of Finance and Business Improvement be granted delegated authority to appoint a management organisation on agreed terms to manage the property and the market rental apartments and to procure and award such contracts for any services, including repairs and maintenance contracts as necessary; and
5. The Director of Finance and Business Improvement be granted delegated authority to grant such lease(s) of the Property as necessary on terms to be agreed, and authorise the completion of such lease(s) and all ancillary deeds and agreements and the Head of Mid Kent Legal Services be authorised to complete the necessary legal formalities for such lease(s) in due course.

NN. PROPERTY ACQUISITION 2

The Housing Delivery Manager introduced the report and noted that the properties under consideration were two-bedrooms in size, with parking facilities and private rear gardens, to be let at market rent rates. If purchased, the properties would be leased to Maidstone Property Holdings Limited (MPH). The predicted internal rate of return, calculated on the total Net Market Rental Income meets the financial hurdle rate set for such investments. The properties were well situated in terms of access to local amenities, and the advice received from agents had indicated that a good level of demand for the properties would be achieved as a result.

The Committee considered the scheme's viability, the purchase price and concern with purchasing properties initially intended for market sale. It was confirmed that the discounted purchase price was based on the Council's own valuation advice rather than through the developer's assumed values.

In response to questions it was confirmed that once transferred to MPH a suitable pet policy would be chosen as this was already being discussed by the company. The fees shown within Appendix 2 of the report would be a one-off payment.

The potential for implementing provisions that promoted the let of the properties to local residents, in the first instance, was discussed. It was noted that that officers would explore a local lettings policy for some of the MPH housing portfolio.

RESOLVED: That

1. The financial returns for the scheme shown at Exempt Appendix 2, which support the Housing Development and Regeneration Investment Plan, be noted;
2. The Director of Finance and Business Improvement be granted delegated authority to enter into a land transaction and development agreement with the developer for the sums given in Appendix 2, together with any related appointments, legal actions, deeds and agreements which may be required to facilitate the purchase;

3. The Head of Mid Kent Legal Services be authorised to appoint the Solicitors required to complete the necessary contract documentation, heads of terms, deeds and agreements associated with the purchase on the terms as agreed by the Director of Finance;
4. The Director of Finance and Business Improvement be granted delegated authority to appoint a management organisation on agreed terms to manage the Property and the market rental apartments and to procure and award such contracts for any services, including repairs and maintenance contracts as necessary; and
5. The Director of Finance and Business Improvement be granted delegated authority to grant such lease(s) of the Property as necessary on terms to be agreed, and authorise the completion of such lease(s) and all ancillary deeds and agreements and the Head of Mid Kent Legal Services be authorised to complete the necessary legal formalities for such lease(s) in due course.

Councillor Garten requested that his dissent with the resolution be noted.

Agenda Item 6

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

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