

Cabinet

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HRA Acquisition of Registered Providers Residential Stock Profile in Medway

Portfolio Holder: Councillor Louwella Prenter, Portfolio Holder for Housing & Homelessness

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Summary

A Registered Provider (RP) of Social Housing is seeking to transfer their Medway housing stock [excluding two specific assets] to a new registered social provider, this being Medway Council, this is in line with the RP's long term asset disposal strategy. Medway Council's Landlord Services [Housing Revenue Account - HRA] were advised of a potential RP transfer opportunity of social housing properties as part of this organisation's larger asset disposal and rationalisation strategy.

This report seeks approval to formally commence due diligence [financially and regulatory] and approval of the necessary capital budget to enable the transfer of the Medway portfolio of the Registered Provider stock to Medway Council's HRA. Enabling an alternative registered provider to take ownership of the existing RP's Medway properties and maintaining much needed social housing, it is important to note that the properties will be tenanted at the time of transfer to the Council.

1. Recommendations

- 1.1. The Cabinet is asked to approve the transfer/acquisition of the Registered Providers Medway Portfolio of 791 properties [portfolio breakdown in section 4 of the report] to Medway Council's HRA subject to financial and regulatory due diligence.
- 1.2. The Cabinet is asked to recommend that full Council approves the necessary Capital borrowing of £45.95million, including associated fees.
- 1.3. The Cabinet is asked to approve the procurement of an appropriate consultant to support the transfer of stock, including the necessary due diligence.
- 1.4. The Cabinet is asked to grant delegated authority to the Director of Place and Chief Operating Officer, in consultation with the Leader of the Council and

Portfolio Holder for Housing and Homelessness to authorise the transaction, subject to final due diligence.

2. Suggested reasons for decisions

- 2.1. To secure an additional 569 units of social and affordable housing for Medway residents. These properties will form part of the HRA's portfolio and give the Council control over how they are allocated, maintained and managed, ensuring that the tenants living in them have a safe, habitable home and good landlord who places them at the heart of the business.
- 2.2. To prevent the loss of social housing stock to other entities.
- 2.3. The HRA is one of the largest social housing providers in the area and is well placed to acquire and manage the RP's Medway portfolio alongside its existing homes.
- 2.4. The acquisition aligns with the Council's core purpose of providing social housing and strengthens the HRA by increasing the number of social and affordable home ownership units.
- 2.5. Analysing the asset data provided, these homes benefit from traditional construction, long-life components and low maintenance requirements, making them cost-effective to manage and supporting the long-term sustainability of the HRA.
- 2.6. The properties are located within existing management areas and can be absorbed into current operational teams without creating additional service pressures.
- 2.7. Tenants will benefit from having a local landlord with secure tenancy arrangements retained. Right to Buy eligibility will apply, with the Council's investment protected for 15 years under national Cost Floor regulations.
- 2.8. Medway Council's stock-acquisition programme has successfully added 169 general needs homes since 2016, plus 187 temporary and supported units. The HRA has a development and growth strategy with a target to grow the stock figure by at least 1% year on year.
- 2.9. Acquiring the RP portfolio represents the quickest and most cost-effective method of increasing supply compared with alternative delivery routes.
- 2.10. Based on the financial and asset data provided, the acquisition is financially viable and demonstrates a positive long-term impact on the HRA business plan.

3. Budget and policy framework

- 3.1. In accordance with the Constitution, full Council approval is required when applying for additional budget to be added to the capital programme.

3.2. This acquisition supports the Council's Housing Strategy by securing existing social housing stock within the borough and ensuring its continued availability for Medway residents. While also supporting the Council's One Medway Plan, Priority 5: Living in good quality, affordable homes.

4. Background

4.1. Medway Council was approached by an agent acting on behalf of the RP in late 2025 asking if the Council would be interested in taking part in a silent auction and bid for various lots of housing properties in Medway and other areas of Kent that they were looking to dispose of.

4.2. The Council signed a non-disclosure agreement enabling the service to access information relating to the properties in question.

4.3. The Council took the decision to not explore this further as the RP and their agent had set unachievable time scales that Medway would not be able to meet.

4.4. The Council advised the RP and their agent that if they do not manage to dispose of the properties via their silent auction then to reapproach as the HRA would be open to having a discussion regarding the properties in Medway only.

4.5. Officers had a call with the RP's Head of Stock Rationalisation and Disposals in early January 2026 to discuss the potential to progress this opportunity further.

4.6. The RP provided Officers with further information on rents and grant funding as well as property asset information to enable officers to carry out some high-level financial modelling. The modelling indicated that the acquisition would be viable.

4.7. Should approval to proceed be granted then the stock would be held within the Council's HRA.

4.8. The portfolio consists of 791 properties, as set out in the Exempt Appendix 1 – property breakdown including location based on postcode.

4.9. Below is a brief description of each tenure type:

4.9.1. **General Needs**

Standard social housing for working-age adults and families who require accommodation but don't need specialized support services. These properties suit anyone aged 16 or older, including single people, couples, and families.

4.9.2. **Affordable Rent**

Social housing charged at up to 80% of local market rent (including service charges), higher than traditional social rent but below private

market rates. These properties are regulated by the Regulator of Social Housing and classified as "low cost" rental accommodation.

4.9.3. **Sheltered**

Accommodation specifically for older people (typically 60+ or 55+ if disabled) who can live independently but benefit from housing support. Tenants have their own self-contained flats with access to 24-hour emergency monitoring, communal areas, and support from dedicated officers. These tenancies cannot be purchased under Right to Buy.

4.9.4. **Leasehold Sheltered**

Sheltered housing properties where occupants own a long lease rather than rent, typically involving leaseholders who purchased their flats but still access sheltered housing facilities and services within the same building or scheme.

4.9.5. **Shared Ownership**

Part-buy, part-rent scheme where tenants purchase 10-75% of the property value and pay rent on the remaining share. Occupants hold a long lease (typically 99+ years) and can increase their ownership through "staircasing" up to 100%.

4.9.6. **Leaseholders**

Properties sold under Right to Buy or shared ownership where former tenants now own their homes, but the council/housing association retains the freehold. They pay service charges rather than rent.

4.9.7. **Commercial**

Non-residential properties such as shops, offices, or other business premises owned by the council/housing association and leased to commercial tenants.

4.9.8. **Garages**

Standalone garage units let separately from residential properties, available to tenants or the public for vehicle storage.

4.9.9. **Freehold With Services**

Properties where the resident owns the freehold, but Medway will provide ongoing services (maintenance, grounds keeping, communal area management) to residents, with service charges applied.

4.9.10. **Playground/Games Area**

Communal recreational facilities maintained by the Council/HA, typically associated with housing estates but tracked separately for maintenance and service charge purposes.

4.9.11. **General Needs:** Standard social rent homes for adults and families (16+) without specialist support.

Council impact: routine housing management (allocations, repairs, ASB, tenancy sustainment).

Benefits: stable long-term lets, supports statutory duties and community stability.

- 4.9.12. **Affordable Rent:** “Low cost rental” homes at up to 80% of local market rent (incl. eligible service charges), regulated.
Council impact: higher rent setting/compliance checks, affordability and arrears risk monitoring.
Benefits: improves scheme viability and funding capacity while remaining below market.
- 4.9.13. **Sheltered:** Self-contained homes for older people (typically 60 +, or 55 + if disabled) with alarms, communal areas, scheme support.
Council impact: higher service/contract management (warden/support, monitoring, communal repairs), safeguarding focus.
Benefits: reduces crisis admissions, supports independent living, lower long-term care pressure.
- 4.9.14. **Leasehold Sheltered:** Sheltered flats held on long leases (owners) within a sheltered scheme.
Council impact: complex service charge budgeting/consultation, major works coordination, lease compliance.
Benefits: retains mixed tenure funding for services and maintains scheme quality.
- 4.9.15. **Shared Ownership:** Part-buy/part-rent (typically 10% – 75%) on a long lease, with staircasing up to 100%.
Council impact: extra admin (resales, valuations, staircasing, lease enforcement) and lender/consumer compliance.
Benefits: supports affordable home ownership and can recycle receipts into new supply.
- 4.9.16. **Leaseholders:** RTB homes where the Council keeps the freehold; owners pay service charges not rent.
Council impact: major works planning/Section 20 consultation, arrears recovery for charges, dispute management.
Benefits: ongoing income for estate services and continued influence over building standards.
- 4.9.17. **Commercial:** Non-residential units (shops/offices) let to businesses.
Council impact: lease/asset management, compliance (H&S, fire, EPC), voids and rent review work.
Benefits: revenue diversification and supports local services/footfall.
- 4.9.18. **Garages:** Standalone garage units let separately for storage/parking.
Council impact: low-touch management but higher risk of misuse, access/security checks, repairs and void control.
Benefits: modest income, reduces on-street parking pressure where demand exists.

- 4.9.19. **Freehold With Services:** Resident owns freehold but pays for Council-provided estate services (grounds, communal upkeep). **Council impact:** service specification, procurement and charge recovery without tenancy controls. **Benefits:** protects estate appearance/standards and shares cost fairly across beneficiaries.
- 4.9.20. **Playground/Games Area:** Communal play/recreation assets maintained by the council/HA (often recharged via service charges). **Council impact:** safety inspections, repairs, insurance/liability, scheduled renewals. **Benefits:** improves wellbeing and estate desirability, supports community cohesion.
- 4.10. The HRA is proactively looking at ways of maintaining and increasing housing stock to help meet demand in Medway. This acquisition represents a significant opportunity to secure a large volume of affordable housing in a single transaction.
- 4.11. The geographic spread of property being acquired will be managed by the Council's current HRA Housing Service, service providers and supply chain.
- 4.12. On transfer of the portfolio, the Council will be required to offer tenants protection of the Terms and Conditions of their existing tenancies offered by the RP. Whilst the Terms and Conditions for the tenancies will be protected, the security of tenure will be enhanced, and tenants will benefit from secure tenancies, as provided for within the Housing Act 1985.
- 4.13. Tenants will on transfer, receive the Right to Buy. However, whilst the Right to Buy will exist, Medway Council's investment in the stock is protected by The Housing (Right to Buy) (Cost Floor) (England) Determination 1999. Provision is made for the protection of the investment for a 15-year period and specific mention is made to the protection of acquisition costs and costs for those works initially required following the acquisition of the dwelling by the landlord to put it into good repair, or to deal with any defect. This means that Medway's investment in these assets is protected for the initial 15-year period.
- 4.14. Savills have been engaged to undertake an initial high-level review of the proposed acquisition and its impact on the HRA business plan. Their review included modelling the impact of the acquisition at an indicative purchase price of £45 million, with an anticipated transaction by 1 April 2027.

5. Options

- 5.1. Option 1 – Agree to the HRA acquiring the RP portfolio and obtaining the necessary additional borrowing to fund the £45 million purchase price and associated fees.
- 5.2. Option 2 – Do not approve the acquisition. This would likely result in the properties being sold to another provider or remaining with RP, potentially

missing a strategic opportunity to consolidate local social housing stock under Council management.

6. Advice and analysis

- 6.1. Savills have reviewed the documentation supplied, including the stock condition survey and rental data, and incorporated the potential acquisition into the existing HRA business plan financial model (Exempt Appendix 2).
- 6.2. The financial modelling [See Exempt Appendices 1 & 2]
- 6.3. The analysis confirms that with these assumptions, the HRA business plan remains viable. Minimum reserves can be maintained throughout the 30-year period, and the plan anticipates an investment capacity of £124.0m by year 30. [Providing for a balanced and sustainable 30-Year HRA Business Plan]
- 6.4. A Diversity Impact Assessment (DIA) accompanies this report.
- 6.5. With the acquisition, the HRA business plan shows that borrowing will increase significantly in the short term. However, this borrowing is considered prudent in risk management terms. The Interest Cover Ratio (ICR) remains above the minimum threshold of 1.25 for the full 30 years.
- 6.6. The ICR is deemed the most viable borrowing metric for this analysis. It represents the operating surplus divided by interest costs. Maintaining an ICR above 1.25 provides comfort that there is sufficient headroom to cover debt interest even if income drops or costs rise.
- 6.7. Sensitivity analysis: See Exempt Appendix 1 and 2.
- 6.8. The charts provided by Savills demonstrate that while debt increases, the "golden rule" of the ICR is met, and the acquisition has a positive long-term impact on the HRA.
- 6.9. The opportunity to acquire a stock portfolio such as this, is a rare opportunity to increase and improve the average age of the Council's housing stock, at a cost per unit that is considerably less than the cost of its current acquisition strategy of purchasing from the secondary market or of building new properties.
- 6.10. The primary aim of the acquisition is to improve the overall viability and sustainability of the 30-year HRA Business Plan and therefore secure decent accommodation for the Council's housing tenants on a long-term basis.
- 6.11. This acquisition delivers an overall financial improvement over the long term and therefore improves the overall sustainability of the HRA for current and future tenants.

7. Risk management

Risk	Description	Action to avoid or mitigate risk	Risk rating
Borrowing Rates	Interest rates may rise above the modelled 4% by the transaction date (April 2027). Rates have been stress tested up to 5%.	Stress-test business plan against higher rates. Forecast cashflow and engage with treasury to secure rates.	All
Capacity of contractors	Contractors having the capacity to take on potentially 20% more work and deliver it to contractual standards.	Early engagement with contractors giving them sufficient time to recruit and resource accordingly.	BII
Units being acquired by another RP	Acquisition undertaken by an alternative RP.	Proceed with the transfer following due diligence.	CIII
Capital Investment Costs	Stock condition costs may be higher than the FFT survey suggests (£50k/unit).	Sensitivity analysis performed at £69k/unit confirms viability. Detailed validation of survey data.	BII
Rent & Service Charge	Actual income may differ from provided data.	Due diligence on rent rolls and service charge accounts prior to completion.	BII
Not approving acquisition	Missed opportunity to secure 569 affordable homes. Uncertainty for the portfolio [including tenants & residents] considering the disposal request and stock rationalisation .	Grant approval to proceed with the transaction.	BII

For risk rating, please refer to the following table:

Likelihood	Impact:
A Very likely B Likely C Unlikely D Rare	I Catastrophic II Major III Moderate IV Minor

8. Consultation

8.1. The HRA has consulted with Savills regarding the financial viability and business plan impact.

- 8.2. The HRA has consulted with FFT who were acting on behalf of the RP.
- 8.3. Legal, Finance, ICT and Property teams will be engaged throughout the acquisition process to ensure due diligence.
- 8.4. Consultation will need to take place with current HRA residents as well as the residents of the properties that are subject of the stock transfer.
- 8.5. Consultation will need to take place with existing service providers to ensure that they can deliver services for a portfolio that is circa 20% larger than when appointed.

9. Climate change implications

- 9.1. [The Council declared a climate change emergency in April 2019](#) - item 1038D refers and has set a target for Medway to become carbon neutral by 2050.
- 9.2. All Council officers have a responsibility to take action to reduce the carbon footprint associated with the services they provide.
- 9.3. If acquired, these properties will form part of the HRA's portfolio and will therefore be maintained in accordance with the HRA's Asset and Energy Strategy. Works to bring these properties up to EPC C by 2030 and carbon neutral by 2050 will be factored into the HRA's business plan.

10. Financial implications

- 10.1. A desk-top financial analysis has been undertaken by Savills of the financial impact of the acquisition. [See Exempt Appendix 2.] The financial analysis considers the associated borrowing costs, rental income and costs of additional resources. Stress testing has been performed at different borrowing rates.
- 10.2. The capital budget will be funded through borrowing, therefore incurring interest costs. The borrowing costs will be funded by the HRA ringfenced budget.
- 10.3. Additional resources to support the management and maintenance of the newly acquired properties will be required. This has been included in the HRA annual management and maintenance costs based on existing costs per property.
- 10.4. A full review of the financial implications will be completed once due diligence has been undertaken, that will include audits/samples of stock condition surveys, rent arrears/income analysis, regulatory considerations and bad debt provisions, to ensure the business case is robust prior to a purchase taking place.

11. Legal implications

- 11.1. The acquisition of the RP portfolio is fully within Medway Council's legal powers to purchase property under Section 120 of the Local Government Act 1972 and the general power of competence in the Localism Act 2011.
- 11.2. Medway Council is a registered provider of social housing, regulated by the Regulator of Social Housing, which allows for a stock transfer to be undertaken.
- 11.3. A non-disclosure agreement (NDA) between Medway Council and RP is in place to protect commercially sensitive information.
- 11.4. Experienced legal consultants will need to be appointed to provide specialist legal advice due to the scale and complexity of the transaction, including drafting and negotiating the contract for sale, undertaking due diligence, and reporting on title.
- 11.5. The contract for sale will set out the agreed commercial terms and will be signed in preparation for exchange, subject to required approvals. A small number of the RPs staff have the potential to be transferred to Medway Council under TUPE, with detailed HR advice to follow once additional information can be shared.
- 11.6. Due to the volume of data to be transferred (including personal and sensitive information) a Data Protection Impact Assessment will be completed, and a data-sharing agreement within the contract will ensure compliance with the Data Protection Act 2018.

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Appendices

Exempt Appendix 1 Financial information
Exempt Appendix 2 Savills report
Exempt Appendix 3 Diversity Impact Assessment

Background papers

None