

Regeneration, Culture and Environment Overview and Scrutiny Committee

12 May 2026

Call-in: HRA Acquisition of Registered Providers Residential Stock Profile in Medway

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Summary

This report advises the Committee of a notice of call-in received from six Members of the Council regarding the Cabinet decisions made on 7 April 2026 relating to the HRA acquisition of Registered Providers residential stock profile in Medway.

1. Recommendation

1.1. The Committee is asked to consider the called-in Cabinet decisions (decision numbers 60/2026, 62/2026 and 63/2026) and decide either to:

1.1.1. accept the Cabinet decisions and therefore take no further action **or**;

1.1.2. refer the decisions back to Cabinet for reconsideration, setting out the reasons for the referral back **or**;

1.1.3. refer the decisions to full Council for consideration.

2. Budget and policy framework

2.1. In accordance with Chapter 4, part 5, paragraph 15.3 of the Constitution with regard to decisions, Cabinet decisions 60/2026, 62/2026 and 63/2026 have been called-in to this Committee by six Members (from the Conservative Group) of the Council.

3. Background

3.1. The Cabinet considered a report (attached at Appendix A) at its meeting held on 7 April 2026 setting out that a Registered Provider (RP) of Social Housing was seeking to transfer their Medway housing stock [excluding two specific assets] to a new registered social provider, this being Medway Council, this was in line with the RP's long term asset disposal strategy. Medway Council's

Landlord Services [Housing Revenue Account - HRA] had been advised of a potential RP transfer opportunity of social housing properties as part of this organisation's larger asset disposal and rationalisation strategy. It was noted that HRA funding was ringfenced from the Council's general finances.

- 3.2. The report sought approval to formally commence due diligence and recommend to full Council 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 was important to note that the properties would be tenanted at the time of transfer to the Council.
- 3.3. Two Exempt Appendices to the report set out financial information, which was of a commercially sensitive nature and a breakdown of locations of the acquisition portfolio which was covered under a Non-Disclosure Agreement.
- 3.4. A diversity impact assessment had been undertaken in relation to the proposals and was attached as Exempt Appendix 3 to the report (the report is attached at Appendix A).
- 3.5. The Cabinet's decisions were as follows:

HRA Acquisition of Registered Providers Residential Stock Profile in Medway

Decision number:

Decision:

60/2026	The Cabinet approved 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.
61/2026	The Cabinet recommended that full Council approve the necessary Capital borrowing of £45.95million, including associated fees.
62/2026	The Cabinet approved the procurement of an appropriate consultant to support the transfer of stock, including the necessary due diligence.
63/2026	The Cabinet agreed to delegate 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.

Reasons for decision:

- 3.6. The acquisition of the stock profile would secure an additional 569 units of social and affordable housing for Medway residents and prevent the loss of social housing stock to other entities. These properties would 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.
- 3.7. Decision numbers 60/2026, 62/2026 and 63/2026 were subsequently called in by six Members of the Council from the Conservative Group. The reasons for the call in are as follows:

“Significant concerns regarding capital expenditure and Council debt levels.”

It should be noted that only Cabinet decisions can be called in. Therefore the following recommendation from Cabinet, which had been referred to full Council on 23 April for consideration, was not subject to call in.

61/2026	The Cabinet recommended that full Council approve the necessary Capital borrowing of £45.95million, including associated fees.
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- 3.8. Full Council considered the report on 23 April 2026. The decisions were as follows:
- a) The Council noted the decisions of the Cabinet, as set out at section 6 of the report.
 - b) The Council approved the necessary addition to the Capital Programme of £45.95million, including associated fees, subject to the outcome of the current call-in process in relation to the Cabinet decisions made on 7 April 2026, as follows:
 - i) The Cabinet approved 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 (decision no. 60/2026).
 - ii) The Cabinet approved the procurement of an appropriate consultant to support the transfer of stock, including the necessary due diligence (decision no. 62/2026).
 - iii) The Cabinet agreed to delegate 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 (decision no. 63/2026).

4. Director of Place's response to the call-in
 - 4.1. The transfer of social housing properties between providers is not a new concept; transfer and mergers between small, medium and large providers have been happening since the introduction of the Housing Act 1988. The Act introduced the opportunity for Large Scale Voluntary Transfer [LSVT] allowing for local authorities to transfer their homes to registered social landlords [housing associations].
 - 4.2 During the 1990s a significant amount of council homes were transferred to registered social landlords [over 1.2million by 2008] and was seen as a positive step towards allowing social landlords to maintain homes and continue to build without the main financial burden residing with local and central government.
 - 4.3 The acquisition of the RP's portfolio is within the range of powers available to the authority to purchase property. Section 120 of the Local Government Act 1972 provides a legal basis for purchase of land (Sec,12 (a) (1 and 2)), this is in addition to the general power of competency within the Localism Act 2011.
 - 4.4 LSVTs required the support of council tenants, with opinions sought via ballots, a number of local authorities chose not to transfer their homes or had the transfers rejected by their tenants.
 - 4.5 With the introduction of the Decent Homes Standard in 2010, the transfer of homes continued as social landlords aimed to meet the basic health and safety standards of their homes.
 - 4.6 With the deregulation of the consumer standards and the lack of investment in social rented homes [following the introduction of affordable rent within the sector], homes began to fall below standards and tenants faced health and safety risks in their homes, stigmatised and in some cases ignored. This was sadly evident in June 2017 when 72 people lost their lives in a horrific fire at Grenfell Tower in North Kensington.
 - 4.7 In November 2020, the Ministry of Housing, Communities and Local Government published "The Charter for social housing residents: social housing white paper." The aim of this paper was to set out the actions that the government [at the time] would take to ensure that residents in social housing are safe, are listened to, live in good quality homes and have access to redress when things go wrong. The paper built on the proposals that had been set out in the Social Housing Green Paper [August 2018] and the Review of Social Housing Regulation: Call for Evidence [August 2018].
 - 4.8 Key areas of the Charter became legislation with the introduction of the Social Housing (Regulation) Act 2023 and represented a major reform of the social housing regulatory framework. The Act re-introduced proactive inspections of social housing providers against revised regulatory standards and placing tenants at the heart of the regulatory process and centre stage for social landlords.

- 4.9 Medway Council was the first local authority landlord in the southeast to be inspected in September 2024, following the inspection a C2 Judgement [based against the Consumer Standards] was published in November 2024 with the service working progressively towards a regrade [C1].
- 4.10 This is a unique opportunity for Medway Council to expand its council home portfolio, within its geographical area and it's very unlikely another opportunity will arise. While this is unique for a local authority to purchase existing social housing portfolios it will not be the first of its kind with a similar acquisition being undertaken by Portsmouth City Council in 2024.
- 4.11 While the acquisition of the portfolio does not increase the overall supply of affordable/social housing for Medway, however, it does allow for greater control over the nominations to vacant properties as the Council has 100% nomination rights to its own portfolio, over an average 75% nomination right for RPs.
- 4.12 The tenants, leaseholder and shared ownership residents of this portfolio will benefit from having a local landlord who is a large, registered provider with local contact points for service. Tenants will also benefit from an increased security of tenure and protection of their existing terms and conditions.
- 4.13 The HRA has been operating an acquisition and development programme since 2016, increasing the HRA portfolio at an average rate of 30 properties per year. These properties have consisted of new build, buybacks and open market sales [predominantly former council homes]. All purchases are subject to rigorous checks, financially including RICS Red Book Valuations and asset inspections [including stock conditions].
- 4.14 In addition to the HRA programme, Council agreed in January 2024 to a £42m capital programme to invest in a new temporary accommodation portfolio. This programme has been managed and delivered by the HRA Development Team, using the same principles as the HRA programme. Both programmes have been successful on delivering new homes to rent via social and affordable rent [as set by the Rent Standard] and over 150 homes to be used for temporary accommodation all for Medway residents.
- 4.15 Whilst the acquisition has an overall positive financial impact on the HRA and is undoubtably beneficial over the longer-term, there are both positive and negative annual cash flows over the initial years [primarily due to capital investment] after which positive cashflows consistently occur. This is normal financial management for such large portfolios as capital investment cycles, Decent Homes Standards and legislation changes.
- 4.16 The assumptions that form the "base case" set out in the Cabinet Paper dated 7 April 2026 are based on information provided in within Exempt Appendix 1 to the report (the report is attached at Appendix A). The assumptions are subject to variations with the effluxion of time, better knowledge of assets and economic factors. A sensitivity analysis has been undertaken [Exempt

Appendix 2 to the report] (the report is attached at Appendix A) to model how sensitive the base case model is to changes and specifically interest rate movements which could have the most material impact.

- 4.17 An area of concern that has been identified is the condition of the properties that are within the RP's portfolio, the base case used the information made available to the team as part of the initial due diligence. Included within the asset information to support the financial modelling:
- i) Asset list
 - ii) 30-year forecast [affordable and social rent properties]
 - iii) EPC ratings for the rental properties [affordable and social rent] – Exempt Appendix 1a.
 - iv) Stock condition survey information [affordable and social rent, blocks, estate offices, garages & play areas] – Exempt Appendix 1b.
- 4.18 The sensitivities included rental inflation [including the new Rent Convergence from April 2027], cost inflation, including interest rates, and capital programme requirements. The model assumes the capital requirement is borrowed from the Public Works Loan Board which enable HRA borrowing at preferential rates.
- 4.19 Consideration is also needed to be given to the possibility of a more positive environment with associated optimistic scenarios. Whilst these have not been modelled, included with in a range of realistic scenarios could be:
- i) Higher rental inflation
 - ii) Reduced voids
 - iii) Less maintenance requirements
 - iv) Lower borrowing costs/longer use of HRA reserves
- 4.20 Enhanced due diligence subject to further financial appraisals, including financial impact and risk assessments to ensure the debt is affordable and manageable by the HRA [Council]. This will include, but not be limited to, site visits by senior officers, profile analysis against the existing HRA portfolio [property types, capital works, repairs frequency, voids, rent arrears and collection rates], office and commercial space considerations.
- 4.21 All current HRA contractors [repairs, maintenance and compliance] have been advised of the potential acquisition and indicative growth. All contractors have confirmed that they have the capacity to deliver the existing contact to the acquisition portfolio. To ensure they have the capacity, proposals have been requested to be provided to the Head of Property and Development and Chief Housing Officer, in order to review, analyse and stress test.
- 4.22 Whilst the acquisition is underpinned by borrowing and therefore a long-term debt liability, it has been undertaken through the Prudential Borrowing Framework. That framework is designed to meet the tests of Affordability, Sustainability and Prudence. In essence all such borrowing is on the basis that it is for "Invest to Save" purposes where the income streams derived from

that borrowing are relatively strong (to cover the annual debt repayments) and where the underpinning asset investment has a value that is aligned with the amount of outstanding debt over its lifetime (to allow the flexibility to sell in the event that the Council wishes to reduce its level of outstanding debt). This approach is consistent and similar to the majority of the Council's significant long-term borrowing.

5. Monitoring Officer and Chief Operating Officer's response to the call-in

- 5.1. The report to Cabinet provides details of the decisions taken by the Cabinet and further details on the rationale.
- 5.2. The Council's policy framework is defined in paragraph 4.1a of Article 4 of the constitution. The proposals are not contrary to the policy framework and is in accordance with the budget agreed by Council.

6. Options

- 6.1. The options open to this Committee in dealing with this call-in are to:
 - a) to consider the matter and accept the Cabinet decisions, or;
 - b) ask Cabinet to reconsider its decisions if Members have concerns about it/them (setting out in writing the nature of any concerns), or;
 - c) refer the matter to full Council for consideration.
- 6.2. In accordance with rule 15.8 of the Constitution, to avoid the possibility of very many emergency Council meetings, Overview and Scrutiny Committees should normally only use the power to refer a matter to the full Council if it considers either:
 - a) that the decisions are contrary to the policy framework (i.e. those policies and plans listed in Article 4.1 of Chapter 2 of the Constitution) or contrary or not wholly in accordance with the budget;
 - b) where a request for call-in is signed by six or more members representing at least two political groups.
- 6.3. If the Committee considers the Cabinet decisions are, or would be, contrary to the policy framework or not wholly in accordance with the Council's budget, then it must first carefully consider the advice from the Monitoring Officer and/or Chief Operating Officer. If the officer advice is that the decisions taken by Cabinet are within the policy framework or budget, and this is accepted by the Committee, then a referral to full Council, on these grounds, would not be possible. As referred to in section 5 above, the Monitoring Officer and the Chief Operating Officer have confirmed that the decision(s) taken by Cabinet set out in paragraph 3 above are not contrary to the Council's budget or policy framework.

- 6.4. In the event of a referral to full Council for reasons relating to the budget or policy framework, Cabinet will then meet to consider the views of the Monitoring Officer and/or Chief Operating Officer, together with the views of the Overview and Scrutiny Committee. Having considered these views, Cabinet will decide what action to take and prepare a report for Council.
- 6.5. When the full Council meets following such a referral, it can decide:
 - a) that the Cabinet decisions falls within the existing budget and policy framework, in which case no further action is required, or;
 - b) to amend the Council's budget or relevant policy framework document to encompass the decisions, in which case the Cabinet decisions takes effect immediately and no further action is required, or;
 - c) to accept that the decisions are outside the policy framework or budget, in which case Cabinet must reconsider the matter taking into account the views of Full Council and take decisions which are in accordance with the advice of the Monitoring Officer/Chief Operating Officer and which comply with the budget and policy framework.
- 6.6. When the full Council meets following a referral on other grounds then it can decide:
 - a) to accept the Cabinet decisions and therefore take no further action (in which case the decision will become effective on the date of the full Council meeting) or;
 - b) refer the decisions back to Cabinet for reconsideration, setting out the reasons for the referral back.
7. Risk management
 - 7.1. Risk management is addressed in section 7 of the Cabinet report attached at Appendix A.
8. Climate change implications
 - 8.1 The climate change implications in relation to the Cabinet decision are set out at section 9 of the Cabinet report attached at Appendix A.
9. Financial implication
 - 9.1. The financial implications in relation to the Cabinet decision are set out at section 10 of the Cabinet report attached at Appendix A.
10. Legal implications
 - 10.1. The legal implications in relation to the Cabinet decisions are set out at section 11 of the Cabinet report attached at Appendix A.

10.2. In accordance with Chapter 4, part 5, paragraph 15.3 of the Constitution, six members of the Council may call in a decision for scrutiny by the relevant Overview and Scrutiny Committee. Call-ins must be dealt with in accordance with Rule 15 of the Overview and Scrutiny Rules and Rule 7 of the Budget and Policy Framework Rules, set out in the Constitution.

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Appendices

Appendix A – Cabinet report 7 April 2026 (including exempt appendices)

Appendix A (i), (ii) and (iii) - Exempt appendices for the Cabinet report 7 April 2026

Exempt Appendix 1 – Stock Profile Information

Background papers - none