

Title:	Purchase of a property to add to the Council's housing stock using Right to Buy receipts	Date:	13 June 2019
Portfolio Holder:	Cllr John Lodge, Leader of the Council; Lead for Planning and the Local Plan		
Report Author:	Judith Snares, Housing Strategy and Operations Manager 01799 510671	Key decision:	Yes

Summary

1. This report provides details of a requirement to spend £963K within the Housing Revenue Account (HRA) development programme by the end of Quarter 2 to avoid having to repay Right to Buy (RTB) receipts with interest to the government.
2. With a projected spend of £730K on current HRA development projects the purchase, as additional stock within the HRA, of a 2 bedroom open market property in Saffron Walden for £295K will ensure that the risk of repaying RTB receipts can be avoided

Recommendation

3. The Leader of the Council is requested to approve the use of RTB receipts and HRA borrowing to purchase on the open market a 2 bedroom house as additional stock within the HRA at a cost of £295K as an Executive Decision.

Financial Implications

4. The purchase of the property will be funded from a mix of RTB receipts and HRA borrowing.
5. The total cost of this transaction would be financed by 30% RTB receipts and 70% HRA contribution, this financing is already available in the 2019 - 20 HRA budget therefore we do not require any additional budget to be agreed.
6. If RTB receipts are not spent within the required timescales then will have to be returned to Government with compound interest at 4% due to the HRA 1-4-1 Agreement.

Impact

7.

Communication/Consultation	Parish Councils
Community Safety	N/A
Equalities	N/A
Health and Safety	N/A
Human Rights/Legal Implications	The Council has power under Section 9 of the Housing Act 1985 to acquire houses for the purpose of providing housing accommodation. The houses so acquired must then be dealt with in accordance with the provisions of the Act, and may become subject to the Right to Buy
Sustainability	N/A
Ward-specific impacts	Saffron Walden
Workforce/Workplace	Housing Development, Finance and Legal

Situation

8. In April 2012 the government introduced a self-financing model for the HRA, leading to new freedoms and flexibilities over the way Councils were able to invest in their social housing stock, as well as enabling them to deliver new affordable housing.
9. The Government also supported Council's aspirations to deliver more new affordable homes by allowing them to retain RTB receipts, provided that these receipts were used to bring about more affordable housing.
10. RTB receipts can be used to increase the provision of affordable housing in any of the following ways.
 - Building new affordable housing on council owned land
 - Acquiring new build from a developer or from existing private stock for conversion to social/affordable rent
 - Acquiring land for future schemes
 - Funding a Registered Provider to build new affordable housing in the area
11. The Council's preferred approach to increasing the provision of new Council owned affordable housing is to build affordable homes through the HRA, building on HRA owned land.

12. Building new homes in this way can however be complex and time consuming and the supply of suitable HRA owned sites is limited. There are therefore a number of reasons why it is prudent for the Council to consider other ways of using its RTB receipts.
13. RTB receipts must be spent within 13 quarter of the receipts becoming available. If the Council fails to spend the receipts it is required to repay the receipts to the government with interest at 4% above base rate.
14. RTB receipts can only be retained if they are used to fund the delivery of new affordable housing in the ratio 100/30. In other words when using RTB receipts additional resources of 70% of the eligible spend are required from HRA (or borrowing against the HRA) to meet the remaining costs. This means that the use of the receipts must be used proportionately throughout the development programme period.
15. Slippage within a development programme is inevitable due to the complexities of planning, tendering, unpredictable site problems and even weather conditions.
16. The rate at which RTB receipts are received, as well as the amount received over any given period is unpredictable. This adds to the complexity in timing their use in accordance with the projected delivery of new build. The result is additional uncertainty over whether the receipts will be spent within the required timeframe.
17. There are also a number of other limitations over the way in which the Council can use RTB receipts, these include
 - Receipts cannot be used on a site where the Council has received grant funding from the Homes England.
 - They can only be used on sites of previous social housing where they generate additional housing over and above what was on the site before and only then in proportion to the additional housing.
18. Uttlesford currently has a requirement to spend £963K by the end of September 2019 in order to avoid the repayment with interest of RTB receipts.
19. £730K is projected to be spent on current HRA projects, but due the nature of development there may be slippage within some schemes. The proposed spend of £295K will ensure that the risk of repaying RTB receipts is avoided.
20. There is an opportunity to purchase a 2 bedroom house from the open market in Saffron Walden close to existing council stock. Once purchased the property will be let to an applicant from the housing register in accordance with the Allocations Policy.

21. Cabinet has agreed in the past to purchase 3 properties from the open market and affordable housing units provided on market developments. The Director of Finance and Corporate Services, in consultation with the Housing Portfolio Holder, was given delegated authority to purchase further affordable properties provided on market developments under S106 obligations. This delegation however did not extend to further market properties, giving rise to the need for an Executive Decision by the Leader. Because of the urgency in order to complete the purchase by 30 September, the matter cannot wait until the Cabinet meeting on 15 July.

Risk Analysis

17.

Risk	Likelihood	Impact	Mitigating actions
The council fails to meet the deadlines for spending RTB receipts as detailed in its agreement with Government	3 There is a need for receipts to be spent within the required timescales of 13 quarters which cannot be met by current HRA projects	3 – the council will have to repay right to buy receipts plus interest to government	This report suggests a way forward that would result in RTB receipts not being lost to this authority

- 1 = Little or no risk or impact
- 2 = Some risk or impact – action may be necessary.
- 3 = Significant risk or impact – action required
- 4 = Near certainty of risk occurring, catastrophic effect or failure of project.