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| Title: | Purchase of Properties to add to Housing Stock | Date: 23 October 2019 |
| Report Author: | Judith Snares Housing Strategy and Operations Manager jsnares@uttlesford.gov.uk | Item for decision: Yes |

Summary

1. This report provides details of a requirement to spend £1.5 million within the Housing Revenue Account (HRA) development programme by the end of Quarter 3 (December 2019) to avoid having to repay Right To Buy (RTB) Receipts with interest to the government.

With a projected spend this year of £4.395 million on current HRA development projects the purchase, as additional stock within the HRA, of open market properties within the district, up to a value £1.5 million, will ensure that the risk of repaying RTB receipts can be avoided

Recommendation

2. The Leader is requested to approve the use of RTB receipts and HRA borrowing up to a limit of £1.5 million to purchase 2 and 3 bedroom open market properties as additional stock within the HRA.

Financial Implications

3. The purchase of the property will be funded from a mix of RTB receipts and HRA borrowing.
4. The total cost of this transaction would be financed by 30% Right to Buy 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.
5. 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

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| Communication/Consultation | Parish Councils will be kept informed |
| 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 | All wards |
| Workforce/Workplace | Housing Development, Finance and Legal |

Situation

1. 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.
2. 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.
3. RTB Receipts can be used to increase the provision of affordable housing in any of the following ways.
 - Building new affordable housing on council owed 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

4. 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.
5. 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.
6. RTB receipts must be spent within 3 years 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.
7. RTB receipts can only be retained if they are used to fund the delivery of new affordable housing in the ratio 30/70. In other words when using RTB receipts additional resources amounting to 70% of the total eligible spend are required from HRA (or borrowing against the HRA) This means that the use of the receipts must be used proportionately throughout the development programme period.
8. Slippage within a development programme is inevitable due to the complexities of planning, tendering, unpredictable site problems and even weather conditions. This can lead to a delay in spending RTB Receipts.
9. 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.
10. 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.
 - They can also not be used on sheltered housing sites.

11. £4.395 million was the projected spend for 2019/20 on planned HRA development projects, but there has recently been unforeseen slippage within some schemes, so although we have 8 properties due for completion by the end of the year, work has commenced on 16 others and planning has just been obtained for another 13, the actual spend for this year has dropped to below the level required to be able to fully retain RTB Receipts.
12. Uttlesford currently has a requirement to spend of £1.5 million by the end of Quarter 3 to ensure that the risk of repaying RTB receipts is avoided.
13. Therefore the proposal is to purchase suitable 2 and 3 bedroom properties from the open market in Uttlesford to add to existing council stock.
14. Once purchased the properties will be let to applicants from the housing register in accordance with the Allocations Policy

Risk Analysis

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| Risk | Likelihood | Impact | Mitigating actions |
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| The council fails to meet the deadlines for spending Right to Buy receipts as detailed in its agreement with Government | 3 There is a need for receipts to be spent within the required timescales 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 Right to Buy 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.