

Subject: Retained Right to Buy Receipts Policy

Report to: Housing and Neighbourhoods Committee 4 February 2021
Policy and Resources Committee 9 February 2021

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SUBJECT MATTER/RECOMMENDATIONS

This report requests that committee approve the updated Use of Retained Right to Buy Receipts Policy to reflect operational changes and requirements as set out in the report.

RECOMMENDATIONS

It is recommended that:

1. Committee approve the updated Use of Retained Right to Buy Receipts Policy and recommend the adoption of the policy by Policy and Resources Committee.
2. That Policy and Resources Committee approve the Use of Retained Right to Buy Receipts Policy and delegate approval of expenditure in accordance with the Use of Retained Right to Buy Policy to a Strategic Director in conjunction with the Section 151 Officer.

1. INTRODUCTION

- 1.1. This report seeks approval and adoption of the Use of Retained Right to Buy Receipts Policy. The Use of Retained Right to Buy Receipts Policy has been updated to reflect clarifications required to delegations.

2. THE USE OF RETAINED RIGHT TO BUY RECEIPTS POLICY

- 2.1. The Retained Right to Buy Receipts Policy was approved by Housing and Neighbourhoods Committee on 6 September 2018 and relates to the use of that element of Right to Buy Receipts which, subject to the Council's agreement with Government are ring-fenced to support the delivery of additional affordable housing.

2.2 The following alteration to the Policy, now added, was approved by Housing and Neighbourhoods on 20 June 2019:

- to introduce a new price limit of £350,000 for acquisitions of homes which will meet specific needs for adapted or adaptable homes and for the acquisition of homes with 4 or more bedrooms.
- to amend the payback period for all acquisitions for up to 40 years.

2.3 The Policy has been updated to clarify the delegations related to expenditure incurred in accordance with the policy which will be reported annually to Housing and Neighbourhoods Committee and Policy and Resources Committee.

3. FINANCIAL IMPLICATIONS

None associated with the Policy. Spend of Retained Right to Buy Receipts is monitored to ensure full spend within the required timescales. Spend is also monitored as part of the capital programme.

4. RISK IMPLICATIONS

The amended Use of Retained Right to Buy Policy ensures that there is one document which clearly sets out the Council's use of Retained Right to Buy receipts following previous changes. This report also seeks to update the delegations in relation to spend.

5. LEGAL IMPLICATIONS

The policy details the legal framework for the use of Right to Buy Retained Receipts.

6. CONCLUSIONS

This report seeks approval and adoption of the updated Use of Retained Right to Buy Receipts Policy. The Use of the Retained Right to Buy Receipts has been updated and refreshed and clarifies the delegated decision making in relation to expenditure incurred in relation to the policy.

7. BACKGROUND PAPERS

Use of Right to Buy Retained Receipts Policy approved at 6 September 2018 by Housing and Neighbourhoods Committee.

Areas of consideration: e.g. does this report raise any of the following issues and if so how have these been considered/mitigated against?

Area for consideration Comment	Comment
Monitoring Officer Consultation	Via ELT
Section 151 Officer Consultation	Via ELT
Existing Council Policies	- Corporate Plan
Financial Implications	See section 3

Legal Implications (including human rights)	See section 4
Risk Implications	See section 4
Equality Issues/EQIA assessment	None
Crime & Disorder	None
Every Child Matters	None



Use of Retained Right to Buy Receipts Policy

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Date	18/09/2020
Document Status	Policy Review for Approval

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1. Introduction/Background

In 2012, the Council in common with most stock owning authorities entered into a retention agreement with, the now, Ministry of Housing, Communities and Local Government (MHCLG) regarding receipts from the sale of council properties under the Right to Buy (RTB) legislation.

Where a local authority enters into an agreement to Retain receipts, those receipts can only be used for the provision of additional social housing, which may be by development of new properties or acquisition of existing properties.

2. Purpose of Policy

The purpose of the policy is to set out the Council's approach to how RTB Retained Receipts are used for the provision of additional social housing.

3. Policy Aims

The aim of the policy is to increase the supply of additional suitable affordable housing either owned and managed within the Housing Revenue Account or by a Registered Provider (RP)), recognising the increasing demand on the housing register, whilst providing opportunity to re-balance the mix of housing owned by the Council. The Council will achieve this by:

- Developing as many new Council owned properties as possible
- Utilising receipts to provide grant contribution to support local Housing Association/RP developments
- Acquiring properties on the open market with priority given to empty homes and properties where there is a demand that cannot be met from with the wider social housing stock
- Seeking value for money in the use of property acquisition whilst considering the need for properties in high demand.

4. Relevant Legislation

The Right To Buy was introduced by the Housing Act 1980 as amended by the Housing Act 1985. Under current legislation council tenants and housing association tenants who transferred with their homes from council landlords have the Right To Buy their home at a discount with the amount of discount dependent on the length of time as a social tenant.

In April 2012, the Right to Buy was reinvigorated by the Government and the maximum Right To Buy discounts were increased. Councils could enter into an agreement with Government to retain the additional sales receipts generated by the Right to Buy to fund the provision of

replacement housing stock. These agreements were made under section 11(6) of the Local Government Act 2003 and the receipts which can be retained are referred to as Retained Receipts.

In addition, under the Right to Buy Retained Receipts agreement the following terms apply:

- Retained RTB Receipts can only be used for 30% of the cost of development or acquisition (including refurbishment costs) of additional social housing. The remaining 70% of funding is taken from the Housing Revenue Account (HRA) Capital Programme.
- Retained RTB Receipts can be used to support development of new properties by other registered providers (Housing Associations). It is not currently possible to use RTB receipts together with grant from Homes England on the same development.
- Retained RTB Receipts must be spent within three years or any uncommitted funding must be paid to MHCLG plus interest. This requirement relates to the financial quarter in which the Right to Buy Receipt relates, i.e. the quarter in which the property was sold through the Right to Buy

The removal of the HRA Debt Cap has removed a restraint on the Council's ability within the HRA, however, borrowing must still be on a prudential basis.

5. How Retained Right to Buy Receipts will be used

5.1 Council Development

The primary purpose of retaining RTB receipts is to support the development of new housing by the Council within the HRA. Such developments may be on sites owned within the HRA or acquired from the General Fund or private owners.

5.2 Grant Contribution to Housing Associations and Registered Providers

If the Council is not able to use the Retained Receipts to develop property itself or it is more beneficial to support the delivery of a scheme being developed by a Housing Association or Registered Provider, as it meets specific needs the Council cannot meet through its own development programme or acquisitions at that time, the Council will provide Retained Receipts to the Housing Association/Registered Provider. Funding will be provided to make a scheme viable to be provided or to increase the number of affordable homes being delivered on a site.

Appendix 1 provides details of the specific requirements for providing grant funding to a Housing Association/Registered Provider.

5.3 Acquisitions

Acquisitions provide an opportunity to increase the supply of homes within the HRA more quickly than through development, to respond to opportunities to purchase homes under the Right to Buy Buy Back provisions and to meet specific needs for properties which are in short supply within the HRA housing stock.

Each potential acquisition will be assessed on a case-by-case basis; in line with the acquisition criteria set out in Appendix 2 considering the financial implications of the acquisition and the relative merits in value for money terms.

6. Delegated Decisions

In order for this policy to be effective delegated authority is provided through this policy to key officers within the Council to authorise expenditure:

- Delegated authority to a Strategic Director in consultation with the Section 151 Officer to approve property purchases (Acquisitions)
- Delegated authority to a Strategic Director in consultation with the Section 151 Officer to enter into agreements with Housing Associations/ Registered Providers to provide grant to support the provision of affordable housing
- Delegated authority to a Strategic Director in consultation with the Section 151 Officer to approve the use of Retained Receipts to develop new homes within the HRA or to acquire homes from Housing Associations/ Registered Providers.

An annual report to Housing and Neighbourhoods Committee and Policy and Resources Committee will be provided on spend of Retained Right to Buy Receipts, total expenditure and the number of homes delivered by source (Acquisition, development within HRA or grant contributions) and location.

7. Monitoring and Review of the Policy

An annual report to Housing and Neighbourhoods Committee and Policy and Resources Committee will be provided on spend of Retained Right to Buy Receipts, total expenditure and the number of homes delivered by source (Acquisition, development within HRA or grant contributions) and location.

The policy will be monitored and be subject to bi-annual review unless there is a fundamental change of legislation which requires an earlier review.

Appendix 1: Grant contributions to Housing Associations/Registered Providers

There are a number of steps to determine whether Retained Receipts can be used to assist Registered Providers with development.

Where a site is identified as requiring contribution from Retained Receipts to be viable or to provide additional affordable units; the Council will discuss the site's viability taking account of the size of the site, number of units to be delivered and timescales.

The Housing Association/Registered Provider will provide a breakdown of costs to the Council for review. Particular attention will be paid to profit, market housing estimates and land value. As a minimum the submitted data will contain the following:

- Tenure
- Unit Mix
- Building Standard
- Profit %
- Market Comparisons
- Land Value
- Total Scheme Costs
- Grant Required
- Start On-Site Date
- Anticipated Practical Completion Date

A decision in principle will be made by the Housing Director. At this point the Housing Association/Registered Provider will be in a position to negotiate with the landowner. A draft Retained Receipts Agreement will be provided to the Housing Association/Registered Provider to enable them to take legal advice as necessary on the conditions which will apply to the provision of Retained Receipts which will be classed as grant funding.

The decision in principle will be passed to a Strategic Director who, in consultation with the Section 151 Officer, will provide the final approval. This will allow the Housing Association/Registered Provider to finalise their offer for the site. Funds will be released to the Housing Association/Registered Provider after the Retained Receipts Grant Agreement is signed by both parties. The Retained Receipts will be paid in tranches, with 50% paid at Start on Site and 50% at Practical Completion, however if there is a need to bring forward payment the Housing Association/Registered Provider can make a request to the Council.

Delivery will be monitored through regular liaison meetings with the Housing Association/Registered Provider.

Appendix 2: Acquisitions

A proposed acquisition will only be progressed if it meets one of the criteria below and meets the required financial criteria of repaying the cost of the purchase price, purchase costs and expected repairs and maintenance within 40 years:

- A property which has had, or is particularly suitable for, significant disabled adaptations which would meet the needs of an identified applicant with disabilities and particularly a wheelchair user
- A property which is in disrepair, causing concerns in the locality, and where works undertaken to allow letting would improve not only the dwelling, but also the surrounding area.
- A property in specific demand at any time – i.e. larger properties (four or more bedrooms) suitable for larger households, one-bedroom dwellings suitable for downsizing.
- An existing market unit on a new build development sites, where this would increase the number of affordable homes on the site above the policy requirement/Council assessed viability of the site to provide affordable housing
- Leasehold flats, where the Council is the freeholder, reducing the risk to the HRA, for example in the identification and subsequent collection of Section 20 charges.
- A property in a specific location that could free up land or access to land, or otherwise facilitate affordable housing development.
- A property being offered to the Council through the Right to Buy Buy Back provisions.
- A property or properties being developed by a Housing Association / Registered Provider which the Council will purchase (subject to their being no Homes England or other public grant funding being used to part fund the construction of the homes).
- A property which is suitable for use as Temporary Accommodation which shall be held in the General Fund.
- Any property considered must be within the borough of Great Yarmouth.
- Any other property, where for whatever reason, it may be in the Council's interests to repurchase and value for money can be clearly demonstrated.

Assessing Suitability of Individual Properties

The number of acquisitions the Council can make is unlimited.

The following criteria will apply be considered when assessing whether individual properties are suitable for acquisition:

- The purchase price of an individual property will not exceed £350,000
- Type of property will meet a housing need
- 3 bed and larger properties will have outdoor space
- Where possible an extra downstairs toilet should be available for larger family homes
- 3 bed and larger properties should have access to a bath
- No downstairs only bathrooms in 3 bed and larger properties
- No bathrooms off bedrooms, except where a dividing wall can be erected
- No bedrooms off bedrooms, except where a dividing wall can be erected
- Preferably out of flood risk zones, or with clear safe egress
- No flats in private developments due to leasehold issues
- Smallest bedroom is no smaller than 7.5m² and is at least 2.15m wide/long
- Kitchens need to be square not galley style for ground floor accommodation for potential wheelchair access

- Ground floor only accommodation should have a wet room or the possibility that one can be installed
- No steep stairs, open stairs or stairs with entrance steps to bedrooms

The Council will take account of the number of applicants waiting for this particular type of property and consider any potential housing management issues.

Property Services will carry out a valuation and survey of the property to ascertain the asset value for the Council. The survey will identify issues / works required. The valuation is to consider comparable recent sales in the area.

The authorisation from the Housing Director must be obtained before an offer is made.

Once a price is agreed a Strategic Director in consultation with the Section 151 Officer must authorise the purchase of the property, this gives authorisation to enter into contract to purchase, no funds are released until exchange and completion.