

Nottingham City Council Delegated Decision



Nottingham
City Council

Reference Number:

2270

Author:

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Department:

Development

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Subject:

Use of "1-4-1" Retained (Right to Buy) Receipts to Purchase Long Term Empty Properties and Bring Them Back Into Use

Total Value:

£425,000 (Type: Capital)

Decision Being Taken:

The portfolio holder is requested to approve the use of "1-4-1" retained receipts from the sale of Council housing stock under the Right to Buy (RTB) policy to assist with the purchase and refurbishment of long term empty properties and let and managed by Nottingham City Homes.

Reasons for the Decision(s) On 19th June 2012 the Executive Board gave permission for a three year scheme supported by the Homes and Communities Agency (HCA) for the purchase of 30 long term empty properties over a three year period which were to be refurbished and let as part of Nottingham City Council stock. The HCA contributed a grant of £510K towards this scheme. The scheme was successfully completed in 2015. Delegated Decision No 1635 of 28/08/2014 committed investment from the Housing Revenue Account capital programme of £425,000 to purchase and refurbish a further five houses. Further grant funding at the level previously agreed by HCA was to be sought via the HCA's Continuous Market Engagement (CME) programme. However for a number of reasons it is considered to be in the best interests of Nottingham City Council to utilise "1-4-1" receipts to augment the capital investment being made from the capital programme. The reasons are as follows:

- a) There is some uncertainty about the availability of the CME funding from HCA
- b) The scheme costs are eligible for "1-4-1" retained receipts as per the agreement with the Department for Communities and Local Government (DCLG). Part 5 of the agreement with the DCLG for the use of "1-4-1" retained receipts from the sale of council housing through RTB requires that expenditure is on the provision of social housing including "the development costs associated with the acquisition of dwellings to be used as social housing" (paragraph vi sub-paragraph a.)
- c) The permitted percentage of funding to assist with purchase and refurbishment is 30% of the total cost using "1-4-1" receipts as opposed to around 20% using HCA funding.
- d) Under the terms of the agreement entered into by the Council in 2012 to retain "1-4-1" receipts locally there is a requirement that the City Council use the "1-4-1" receipts within a three year period after they are received or they will have to be returned to Central Government.
- e) "1-4-1" receipts is funding that the Council already has and saves officer time in bidding for HCA funding and completing the associated grant and submission forms.

Other Options Considered: The City Council could either continue to pursue grant funding from HCA; rejected because there is uncertainty as to the availability of this funding and it would contribute a lower percentage of the costs than RTB receipts. Alternatively the purchase of empty properties could be funded entirely from the Housing Revenue Account capital programme; rejected because there is insufficient provision.

Finally the Council could decide not to proceed with the five additional purchases; rejected because bringing long term empty homes back into use helps to achieve significant improvement to neighbourhoods and brings an additional supply of affordable housing.

Background Papers: None

Published Works: Executive Board report - 19 June 2012 - Bringing Empty Homes back into use.
Delegated Decision No 1635 28 August 2014: Empty Homes Scheme: Proposed Extension of Scheme

Affected Wards: Citywide

Colleague / Councillor Interests:

None

Consultations:

Those not consulted are not directly affected by the decision.

Crime and Disorder Implications:

None

Equality:

EIA not required. Reasons: This is a purely financial decision and EIA implications of the Empty Homes Scheme were included in the Executive Board report

Decision Type:

Portfolio Holder

Subject to Call In:

Yes

Call In Expiry date:

15/12/2015

Advice Sought:

Legal, Finance

Legal Advice:

The proposals set out in the report raise no significant legal issues and, in the circumstances outlined, are supported. Advice provided by Malcolm Townroe (Legal Services Manager) on 23/11/2015.

Finance Advice:

Provision for the scheme to purchase five empty homes for £425,000 (£85,000 per property) already exists within the Housing Revenue Account (HRA) capital programme, with £340,000 financed by prudential borrowing and £85,000 grant from the HCA.

The decision is to change the funding of the scheme so that "1-4-1" retained receipts from "Right to Buy" (RTB) sales of council housing are used instead of grant from the HCA.

The scheme would then be financed by £127.5k of "1-4-1" retained receipts and £297.5k from prudential borrowing. The "1-4-1" retained receipts must be spent in accordance with the Agreement (pursuant to Section 11(6) of the Local Government Act 2003) signed by the Council and the Department for Communities and Local Government on 26th June 2012.

As explained in the body of the report the use of the receipts for this scheme would be in accordance with the Agreement including being spent within the timescale required and will ensure that the "1-4-1" retained receipts can be retained by the council. The "1-4-1" retained receipts also provide a greater proportion contribution (30%) compared to the HCA grant (20%) of the total costs, i.e. and additional £42.5k.

With the purchase of non standard council housing stock it is important that Nottingham City Homes (NCH) review the potential purchases in advance to assess if ongoing costs are in line with the rest of the stock as non standard properties can result in higher ongoing costs of maintenance and major repairs. In addition NCH need to establish that there is demand for that type of property in that location to ensure it can be let and generate the rental income required to repay the prudential borrowing.

Advice provided by Julie Dorrington (Finance Analyst (Housing)) on 24/11/2015.

Signatures

Jane Urquhart (Portfolio Holder for Planning and Housing)
SIGNED and Dated: 07/12/2015
David Bishop (Deputy CE, CD for Development and Growth)
SIGNED and Dated: 07/12/2015