

## EXECUTIVE BOARD – 21<sup>st</sup> MARCH 2017

<b>Subject:</b>	Property Acquisition – Use of Right to Buy 30% Replacement Receipts
<b>Corporate Director(s)/Director(s):</b>	David Bishop, Corporate Director of Development
<b>Portfolio Holder(s):</b>	Cllr Jane Urquhart, Portfolio Holder for Planning and Housing
<b>Report author and contact details:</b>	Claire Lambert Project Manager Major Projects <a href="mailto:Claire.lambert@nottinghamcity.gov.uk">Claire.lambert@nottinghamcity.gov.uk</a> 01158765872
<b>Subject to call-in:</b>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
<b>Key Decision:</b>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
<b>Criteria for Key Decision:</b>	
(a) <input checked="" type="checkbox"/> Expenditure <input type="checkbox"/> Income <input type="checkbox"/> Savings of £1,000,000 or more taking account of the overall impact of the decision	
<b>and/or</b>	
(b) Significant impact on communities living or working in two or more wards in the City <input type="checkbox"/> Yes <input type="checkbox"/> No	
<b>Type of expenditure:</b>	<input type="checkbox"/> Revenue <input checked="" type="checkbox"/> Capital
<b>Total value of the decision: £2.855 million</b>	
<b>Wards affected: All Wards</b>	
<b>Date of consultation with Portfolio Holder(s):</b>	
<b>Relevant Council Plan Key Theme:</b>	
Strategic Regeneration and Development	<input checked="" type="checkbox"/>
Schools	<input type="checkbox"/>
Planning and Housing	<input checked="" type="checkbox"/>
Community Services	<input type="checkbox"/>
Energy, Sustainability and Customer	<input type="checkbox"/>
Jobs, Growth and Transport	<input type="checkbox"/>
Adults, Health and Community Sector	<input type="checkbox"/>
Children, Early Intervention and Early Years	<input type="checkbox"/>
Leisure and Culture	<input type="checkbox"/>
Resources and Neighbourhood Regeneration	<input checked="" type="checkbox"/>
<b>Summary of issues (including benefits to citizens/service users):</b>	
<p>The Housing Revenue Account (HRA) receives a proportion of the capital receipts generated by the sale of council houses under the right to buy (RTB) agenda. This funding is provided to contribute towards the building of new council housing for rent. If the money is not spent within three and a quarter years of the Council receiving it, it is returned to the Department for Communities and Local Government (DCLG) with punitive interest. The receipts can only be used for 30% of either the new build cost or the purchase price of an existing residential property, the remainder of the funding would come from the HRA.</p> <p>The preferred solution for utilising this money is to invest the receipts in the Councils new build delivery programme, Building a Better Nottingham (BABN). However, there are a number of pipeline schemes that are being progressed but are yet to be approved and are not included in the capital programme. Although the Council is actively looking for new sites it will be difficult to identify and mobilise a new scheme within a short timescale. It is therefore prudent to develop a scheme to utilise the receipts towards the purchase price of existing residential properties if the money cannot be spent on the new build programme within the timescales.</p>	

**Exempt information: State 'None' or complete the following**

Appendix 1 is exempt from publication under paragraph 3 of Schedule 12A to the Local Government Act 1972 because it contains information relating to the financial and business affairs of the authority and, having regard to all the circumstances, the public interest in maintaining the exemption outweighs the public interest in disclosing the information. It is not in the public interest to disclose this information because it could prejudice the councils negotiating position.

**Recommendation(s):**

1. To include in the public sector capital programme a scheme to use surplus Right to Buy Replacement Receipts for 30% of the costs of existing properties, to be used as social housing, the remaining balance to be met from the HRA new build budget, to a value of £2.855m.
2. To delegate authority to the Corporate Director of Development and Growth to identify and determine the number of residential properties to be purchased, and when these properties should be purchased, to ensure sufficient eligible expenditure is achieved.
3. To delegate authority to the Director of Strategic Assets and Property to negotiate and agree the individual purchase terms and conditions for the purchase of existing properties

**1 REASONS FOR RECOMMENDATIONS**

- 1.1 As per the agreement with the Department of Communities and Local Government (DCLG) there is an opportunity to utilise eligible receipts to acquire existing residential properties on the open market to be let as social housing.
- 1.2 This will allow the Council to plan for a more flexible delivery of the BABN new build programme within the specified timescales and to retain the money within the Council.
- 1.3 These properties will provide additional affordable housing to meet the housing needs of Nottingham citizens utilising subsidy so that the purchases represent good value for money for the Councils Housing Revenue Account (HRA).

**2 BACKGROUND (INCLUDING OUTCOMES OF CONSULTATION)**

- 2.1 A proportion of schemes within the councils BABN new build programme are being funded using Right to Buy Replacement Receipts. This funding is generated from the right to buy sale of council houses at a discount to the occupiers.
- 2.2 The Government outlined details for Councils of the Right to Buy Replacement Receipts programme in March 2012 in the publication 'Reinvigorating Right to Buy and '1-4-1' Replacement'. This states that Councils can retain the additional receipts generated but must limit the use to 30% of the cost of the replacement homes.
- 2.3 The Council signed agreement – s11(6) of the Local Government Act 2003 with the Secretary of State for Department for Communities and Local Government (DCLG) on 26<sup>th</sup> June 2012 to retain these receipts for the BABN new build programme. As per this agreement this funding is also eligible to be used for acquiring existing properties to be let as affordable homes. Part 5 of the agreement 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)

- 2.4 The Council has accumulated receipts from RTB sales as detailed in the exempt appendix 1. Although most of these funds will be utilised on new build affordable housing schemes there is a risk that not all of the money can be spent within the 3 and ¼ year timescale.
- 2.5 Some of the future sites are at the early stages of investigation and there is a significant risk that some of these sites may prove to be unsuitable and may not go ahead or estimated start times may be delayed. It is therefore prudent to implement a scheme to allow for the purchase of up to 30 residential properties. This scheme can then be implemented at short notice if it becomes evident that the receipts cannot be utilized on the new build programme within the timescales.
- 2.6 As the new build programme progresses the levels of eligible expenditure will be monitored on a quarterly basis. The Management Plan can be found in appendix 2.

### **3 OTHER OPTIONS CONSIDERED IN MAKING RECOMMENDATIONS**

- 3.1 The preferred option would be to utilise the replacement receipts to part fund the construction of new build properties in the Councils BABN new build programme. However, there is a risk that all of the schemes will not be progressed and therefore the receipts will not be utilised within the timescales.
- 3.2 The option to do nothing has been rejected. Any funding that is not utilised will be lost and will need to be returned to DCLG with additional punitive interest.

### **4 FINANCE COMMENTS (INCLUDING IMPLICATIONS AND VALUE FOR MONEY/VAT)**

#### **4.1 Capital Expenditure**

See exempt Appendix 1.

#### **4.2 Funding the scheme**

The MTFP provides details of how the Public Sector Housing Capital Programme is funded from a combination of capital resources and receipts plus direct revenue financing. The programme is fully funded and includes an approved budget provision of £7.571m (2016-17 Quarter 2) for new build schemes that have not yet been approved (New Build - Unallocated). The scheme budget can be reallocated from the new build unallocated line within the Public Sector Housing Capital Programme, with no resulting increase to the programme.

The £2.855m cost of the scheme will be funded £0.857m (30%) from retained RTB capital receipts and the remaining £1.998m (70%) from capital resources already applied to the programme.

**5 LEGAL AND PROCUREMENT COMMENTS (INCLUDING RISK MANAGEMENT ISSUES, AND INCLUDING LEGAL, CRIME AND DISORDER ACT AND PROCUREMENT IMPLICATIONS)**

- 5.1 From a legal perspective the proposals set out in the report raise no significant legal issues and follow on from the agreement under s11 Local Government Act 2003 referred to in section 3.3 of the report. The key issue from a practical legal perspective is to ensure that sufficient properties are identified early enough to enable legal completion of the requisite numbers to be completed by the deadline.

**6 STRATEGIC ASSETS & PROPERTY COMMENTS (FOR DECISIONS RELATING TO ALL PROPERTY ASSETS AND ASSOCIATED INFRASTRUCTURE)**

- 6.1 Property will work with Housing Strategy to identify and acquire suitable properties. Property will undertake inspections and valuations, negotiate and agree terms of acquisition and work with Legal Services to complete purchases.

**7 SOCIAL VALUE CONSIDERATIONS**

- 7.1 The purchase of existing 2 and 3 bed properties will increase the stock of council housing and provide additional affordable housing to families in Nottingham

**8 REGARD TO THE NHS CONSTITUTION**

- 8.1 N/A

**9 EQUALITY IMPACT ASSESSMENT (EIA)**

- 9.1 Has the equality impact of the proposals in this report been assessed?

No ☐

An EIA is not required because:  
(Please explain why an EIA is not necessary)

Yes ☒

Attached as Appendix 3, and due regard will be given to any implications identified in it.

**10 LIST OF BACKGROUND PAPERS RELIED UPON IN WRITING THIS REPORT (NOT INCLUDING PUBLISHED DOCUMENTS OR CONFIDENTIAL OR EXEMPT INFORMATION)**

- 10.1 N/A

**11 PUBLISHED DOCUMENTS REFERRED TO IN THIS REPORT**

- 11.1 'Reinvigorating Right to Buy and One for One Replacement'

**12 OTHER COLLEAGUES WHO HAVE PROVIDED INPUT**

- 12.1 Julie Dorrington      Senior Accountant HRA  
Mark Lowe              Head of Regeneration and Housing Delivery