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| HOUSING & NEW HOMES COMMITTEE | Agenda Item Brighton & Hove City Council |
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| Subject: | Use of RTB Receipts on appropriation of properties to HRA and grant to Homes for Brighton & Hove LLP | | |
| Date of Meeting: | Housing & New Homes Committee 19 June 2019 Policy, Resources & Growth Committee 11 July 2019 | | |
| Report of: | Housing & New Homes Committee: Executive Director for Neighbourhoods, Communities & Housing Policy Resources & Growth: Executive Director for Neighbourhoods, Communities & Housing Executive Director Economy, Environment & Culture | | |
| Contact Officer: | Name: | Diane Hughes, Sam Smith, Robert Crossan | Tel: 01273 293321 Tel: 01273 291383 Tel: 01273 291442 |
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| Ward(s) affected: | (All Wards); | | |

FOR GENERAL RELEASE

1. PURPOSE OF REPORT AND POLICY CONTEXT

- 1.1 The council forecasted an under spend in the use of Right to Buy (RTB) receipts for the final quarter of 2018/19. The Government confirmed that they would not give the council flexibility and officers therefore considered a number of options for use of these receipts by the 31 March 2019 to negate the need to pay back retained RTB receipts with interest to the Government.
- 1.2 Officers identified two vacant general fund properties which could be appropriated from the general fund to the HRA. These properties were:
- Flat 1 Greenleas, Hangleton Valley Drive, Hove - 1 bedroom property – valued at £0.177m (including £0.012m refurbishment costs to bring the property up to the lettable standard)
 - The Bungalow, Drove Road, Portslade – 3 bedroom property – valued at £0.371m (including £0.006m refurbishment costs to bring the property up to the lettable standard)
- 1.3 Appropriations between the General Fund and Housing Revenue Account require committee approval. Due to the urgent timing of this, committee approval could not be sought in advance and the Executive Director Neighbourhoods, Communities & Housing used their Chief Officer urgency powers in order to meet the deadline of the 31 March 2019. Consultation took place with the Chairs of Housing & New Homes Committee (HMH) and Policy, Resources & Growth

Committee (PRG). The decisions which were taken are now being reported to HNH in accordance with the procedure outlined in the Scheme of Delegations. The decisions will also be reported to PRG on the 11 July 2019.

- 1.4 To meet the shortfall, the Council also passed on £0.223m of unused RTB receipts to Homes for the City of Brighton & Hove Limited Liability Partnership (LLP). Again, this grant payment required the decision of Policy, Resources & Growth Committee but due to the urgent timing of this committee approval could not be sought in advance. The Executive Director Neighbourhoods, Communities & Housing used their Chief Officer urgency powers in order to meet the deadline of the 31 March 2019. Again this report, and the report to PRG on the 11 July, record this decision.

2. RECOMMENDATIONS:

That the Housing & New Homes Committee:

- 2.1 That the Housing & New Homes Committee notes that the following decisions have been taken by the Executive Director Neighbourhoods, Communities & Housing:
 - 2.1.1 to appropriate Flat 1 Greenleas, Hangleton Valley Drive and The Bungalow, Drove Road Portslade from the General Fund to the HRA;
 - 2.1.2 to make a transfer from the HRA of £0.548m to the General Fund in consideration for the appropriation referred to at 2.1.1 above;
 - 2.1.3 to make a grant of £0.223m to the LLP.
- 2.2 That the Housing & New Homes Committee recommends to Policy, Resources & Growth that it agrees that the general fund will receive £0.112m less RTB receipts in 2019/20, therefore increasing the receipts available for use by the HRA.

That the Policy, Resources & Growth Committee

- 2.3 That the Policy, Resources & Growth Committee notes that the following decisions have been taken by the Executive Director Neighbourhoods, Communities & Housing:
 - 2.3.2 to appropriates Flat 1 Greenleas, Hangleton Valley Drive and The Bungalow, Drove Road Portslade from the General Fund to the HRA;
 - 2.3.3 to make a transfer from the HRA of £0.548m to the General Fund in consideration for the appropriation referred to at 2.1.1 above;
 - 2.3.4 to make a grant of £0.223m to the LLP.
- 2.4 That the Policy, Resources & Growth Committee agrees that the general fund will receive £0.112m less RTB receipts in 2019/20, therefore increasing the receipts available for use by the HRA.

3. CONTEXT/ BACKGROUND INFORMATION

Grant to Homes for the City of Brighton & Hove LLP

- 3.1 In June 2012, the council signed an agreement to retain RTB receipts, which can be used to fund up to 30% of the cost of supplying affordable housing across the city. The agreement requires these amounts to be spent within three years of receipt otherwise the council will be required to repay them to Central Government with interest at a rate of 4% above the Bank of England base rate.
- 3.2 The Government recognises that the current system is not working effectively and consulted in August 2018 on giving local authorities more flexibility in the spending of receipts. The council responded to this consultation and it is understood that it is likely that more flexibility (e.g. around period of spend and percentage of spend) will be granted in the future, however the consultation results and any legislative changes are yet to be announced.
- 3.3 As at 31st March 2019 receipts of £12.567m were required to be used to fund a programme of £41.890m to increase the supply of affordable homes. In the week before the 31st March deadline, total expenditure of £40.334m had been incurred with a further £0.265m expected up until 31st March 2019 meaning that expenditure was £1.291m below the requirement. This estimated underachievement of spend by £1.291m resulted in a risk that 30% of this (£0.387m) would be required to be repaid to the Ministry of Housing, Communities and Local Government plus interest charges at a rate of 4% above the Bank of England base rate – a total of £0.443m.
- 3.4 A special meeting of the Estate Regeneration Member Board was held on 25 March 2019 where Members were provided with a briefing paper updating on the financial options and providing options for the underspent receipts. Members indicated they would like to maximise spend on purchasing homes and pass to the LLP if other projects could not be identified.
- 3.5 The two properties referred to above once appropriated from the general fund to the HRA at a cost of £0.548m, used £0.165m of receipts. The remaining £0.223m receipts were paid to the LLP, avoiding valuable receipts being paid back to the Government. The LLP is a partnership between the council and Hyde Housing Association. The partnership aims to deliver 1,000 homes for local people, 50% of which will be homes let at a living wage rent and 50% shared ownership. Any payments to the LLP can be used jointly by the council and Hyde Housing to reduce the level of investment required to provide 1,000 homes in the city.
- 3.6 50% of this payment will be used to reduce the borrowing required by the council to fund the investment. Therefore the council is able to justify returning this sum to the HRA by reducing the 2019/20 £0.500m General Fund retention of RTB receipts by £0.112m (50% of the total LLP payment). If agreed, the HRA would retain a further £0.112m in RTB receipts and how this resource is treated would be subject to consideration during 2019/20. Repayment of receipts from the General Fund to the HRA above the 50% level would require PR&G approval as there is no technical justification that can be made.

Appropriation

- 3.7 Brighton & Hove City Council (General Fund) includes 20 non-operational residential properties that are managed by the Property & Design Estates Team.
- 3.8 As other operational properties are declared surplus, for example when a caretaker leaves, these are then considered for future operational use, or declared surplus by the service, who then transfer control of the property to the Property & Design Estates Team to evaluate future options for the property or site.
- 3.9 When properties become vacant, the Property & Design Estates Team work closely with colleagues in Housing and Estates Regeneration to review options before reporting these to committee.
- 3.10 Where there are residential properties that are suitable for inclusion within the housing stock, this is reported through Housing and Policy, Resources and Growth Committees to appropriate the site to the Housing Revenue Account, the most recent example of this being the transfer of 84 Coombe Road which was appropriated in January 2019.
- 3.11 Flat 1 Greenleas comprises a one bedroom first floor flat vacated in 2018 by the previous tenant and the council's teams have been reviewing options, including wider redevelopment opportunities at the site. The other residential property within this block is tenanted by a secure tenant under the Housing Act 1985.
- 3.12 The Bungalow at Drove Road, Portslade comprises a three bedroom former caretaker's property. It was previously occupied under a service tenancy but was vacant. Following consultations with Families, Children and Learning service in consultation with the school, it was agreed that the property was surplus to operational requirements.

The properties were valued as follows:

- 3.13 **Flat 1 Greenleas:** This one bedroom flat was valued at £0.177m by the council's Property and Design Estates Team. Research was undertaken by the Housing Strategy & Enabling Team via the Land Registry to compare this purchase price against recent sales in the vicinity to the site. Findings from this research confirmed that this purchase price offered the HRA value for money. Works are required to bring the property up to a lettable standard. A survey was carried out by the Housing Asset Team and it is anticipated that these works will cost up to £0.012m which has been accounted for in the purchase price and therefore the works will be the responsibility of the General Fund.
- 3.14 A viability assessment was completed on the property, which found that a purchase was viable at Living Wage (37.5%) and Local Housing Allowance for Temporary Accommodation (TA) rent levels. It was recommended that the property is used as council owned temporary accommodation. Funds were available in the HRA Home Purchase Policy budget to make this purchase. This budget is funded by Right to Buy Receipts and HRA borrowing.

| Rent Level | Weekly Rent | Subsidy / (Surplus) £'000 |
|----------------------------------|-------------|------------------------------|
| Local Housing Allowance TA Rates | £135.00 | (10) |
| Living Wage 37.5% | £134.70 | (10) |
| Living Wage 27.5% | £98.78 | 39 |
| Social | £74.42 | 77 |

- 3.15 As the valuation is less than £250,000, the property would normally be considered though the Home Purchase Policy buy back scheme and authorised by the Executive Director of Neighbourhoods, Communities & Housing under delegated authority. However, given that this purchase is an appropriation between the GF and HRA, a committee decision is required and therefore given the timescales available, urgency powers were utilised.
- 3.16 **The Bungalow, Drove Road:** This three bedroom bungalow was valued at £0.371m by the councils Property and Design Estates Team. Research was undertaken by the Housing Strategy & Enabling Team via the Land Registry to compare this purchase price against recent sales in the vicinity to Drove Road. Findings from this research confirmed that this purchase price offered the HRA value for money. Works are required to bring the property up to a lettable standard. A survey was carried out by the Housing Asset Team and it is anticipated that these works will cost up to £0.006m, the cost of which has been accounted for in the valuation and works will be the responsibility of the General Fund.
- 3.17 A viability assessment was completed on the property, which found that a purchase was viable for use as affordable housing within the HRA at Local Housing Allowance rent levels for TA. It was recommended that the property should be used as council owned temporary accommodation. Funds were available in the HRA Home Purchase Policy budget to make this purchase. This budget is funded by Right to Buy Receipts and HRA borrowing.

| Rent Level | Weekly Rent | Subsidy / (Surplus) £'000 |
|----------------------------------|-------------|------------------------------|
| Local Housing Allowance TA Rates | £228.47 | - |
| Living Wage 37.5% | £188.57 | 54 |
| Living Wage 27.5% | £138.29 | 122 |
| Social | £97.37 | 177 |

4 ANALYSIS & CONSIDERSATION OF ANY ALTERNATIVE OPTIONS

- 4.1 The decisions outlined at 2.1 have already been taken so an analysis of alternative options is not required. However it is noted that the repayment of RTB receipts to the government at 4% interest was not considered desirable due to the loss of resources of £0.256m to the council.
- 4.2 A number of other opportunities to purchase properties were investigated, but they were not able to progress due to issues or the timescale required. This included properties available at auctions.

5 COMMUNITY ENGAGEMENT & CONSULTATION

- 5.1 There has not been any community engagement as the matter relates to the appropriation of residential properties. Internal consultations were held with relevant parties.

6. CONCLUSION

- 6.1 Following the meeting of the Estate Regeneration Members Board on Monday 25 March 2019 and noting the pressing need to complete the acquisitions prior to the 31 March 2019, urgency powers were used to appropriate these properties at Market Value with the remainder of the unspent receipts passed to Homes for Brighton & Hove LLP.

7. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

- 7.1 The appropriation of the two properties from the General Fund will be managed within the overall HRA capital programme budget and funded by HRA borrowing and RTB receipts.
- 7.2 Both properties were assessed as financially viable for use as affordable housing within the HRA.
- 7.3 The General Fund has received a capital receipt for £0.548m in 2018/19 which can be used to fund future capital expenditure.
- 7.4 If £0.223m was not transferred to the LLP, then an estimated £0.256m would have been paid back to the government including interest as all other alternatives considered for using these receipts at short notice were considered but discounted.
- 7.5 The payment to the LLP reduced the borrowing required by the council by 50% of this sum and increased the resources available to the LLP for the provision of new affordable homes in the city. Therefore, the council's General Fund is able to justify returning this sum to the HRA by reducing the 2019/20 General Fund retention of RTB receipts sum by £0.112m.

Finance Officer Consulted: Monica Brooks Date: 2/05/19

Legal Implications:

- 7.6 Officers do not have authority under the constitution to appropriate land from the General Fund to the HRA, nor do they have authority to make a grant of this value. However in cases of urgency, Chief Officers may exercise any of the functions within the service area where it is not reasonably practicable to obtain prior approval of a Committee. Before doing so they need to consult with the Chair of the relevant Committee. The action taken must be reported to the Committee.
- 7.7 In this case it is appropriate to report these decisions to HNH and PRG: HNH is the relevant Committee for the decisions relating to purchasing properties for the

HRA and the use of Right to Buy receipts. PRG is the correct Committee to report the decision to dispose of General Fund land (and the grant decision) to.

- 7.8 These steps meet the requirements of the Council's Agreement with the Secretary of State in that the sums have been spent on the provision of social housing.

Lawyer consulted: Alice Rowland

Date: 27/03/19

SUPPORTING DOCUMENTATION

Appendices:

None

Documents in Members' Rooms

None

Background Documents:

None

