

New Build Acquisition Programme

Cabinet	25th October 2017
Report Author	Mr Bob Porter, Head of Housing
Portfolio Holder	Cllr Stuart Piper, Cabinet Member for Housing and Open Spaces
Status	For Decision
Classification:	Unrestricted
Key Decision	Yes
Reasons for Key	Expenditure
Ward:	All wards

Executive Summary:

This report proposes that Thanet District Council should commence an acquisition programme with a spend of £2.13m to purchase properties which will be rented to households in housing need on affordable rent.

Recommendation(s):

Cabinet are asked to agree the following recommendations. To agree:

1. To the principles set out in this report for an initial acquisition programme of approximately 10-12 homes;
2. To allocate £630k of Right to Buy 1-4-1 receipts, together with HRA match funding of £1.5m to fund the programme;
3. To delegate authority to Head of Housing, to complete the acquisition of new homes within the programme.

CORPORATE IMPLICATIONS

Financial and Value for Money	Right to buy (RTB) 1-4-1 receipts must be invested within three years of receipt. In order to retain its receipts, the Council needs to spend £2.617m of qualifying 1-4-1 expenditure by March 2019. Match funding for 1-4-1 receipts is restricted and cannot be funded by capital receipts or government funding. The current capital programme has £1.5m allocated to the Margate Intervention Programme funded by the New Properties Reserve. It is proposed to switch this £1.5m as match funding for the 1-4-1 receipts to purchase properties for affordable housing to replace those sold under the right to buy and fund the Margate Housing Intervention with Housing Capital Receipts. Delivery of the Capital Programme is unaffected.
Legal	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 any relevant subsequent legislation and may become subject to Right to Buy.

	<p>Right to Buy receipts must be applied in accordance with relevant legislation and guidance and particularly the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 (as amended) and the terms of any agreement reached under section 11(6) of the Local Government Act 2003 modifying the applicability of the regulations.</p> <p>The National Planning Policy Framework defines affordable housing as social rented, affordable rented and intermediate housing, provided to eligible households whose needs are not met by the market.</p>								
Corporate	Supports corporate priority " <i>Supporting Neighbourhoods</i> "								
Equality Act 2010 & Public Sector Equality Duty	<p>Members are reminded of the requirement, under the Public Sector Equality Duty (section 149 of the Equality Act 2010) to have due regard to the aims of the Duty at the time the decision is taken. The aims of the Duty are: (i) eliminate unlawful discrimination, harassment, victimisation and other conduct prohibited by the Act, (ii) advance equality of opportunity between people who share a protected characteristic and people who do not share it, and (iii) foster good relations between people who share a protected characteristic and people who do not share it.</p> <p>Protected characteristics: age, gender, disability, race, sexual orientation, gender reassignment, religion or belief and pregnancy & maternity. Only aim (i) of the Duty applies to Marriage & civil partnership.</p> <p>Once properties are purchased they will be let in accordance with the council's agree allocations policy. This policy has been subject to a full EIA.</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td colspan="2">Please indicate which aim is relevant to the report.</td> </tr> <tr> <td>Eliminate unlawful discrimination, harassment, victimisation and other conduct prohibited by the Act,</td> <td style="text-align: center;">✓</td> </tr> <tr> <td>Advance equality of opportunity between people who share a protected characteristic and people who do not share it</td> <td></td> </tr> <tr> <td>Foster good relations between people who share a protected characteristic and people who do not share it.</td> <td></td> </tr> </table>	Please indicate which aim is relevant to the report.		Eliminate unlawful discrimination, harassment, victimisation and other conduct prohibited by the Act,	✓	Advance equality of opportunity between people who share a protected characteristic and people who do not share it		Foster good relations between people who share a protected characteristic and people who do not share it.	
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CORPORATE PRIORITIES (tick those relevant)✓	
A clean and welcoming Environment	
Promoting inward investment and job creation	
Supporting neighbourhoods	✓

CORPORATE VALUES (tick those relevant)✓	
Delivering value for money	✓
Supporting the Workforce	
Promoting open communications	✓

1.0 Introduction and Background

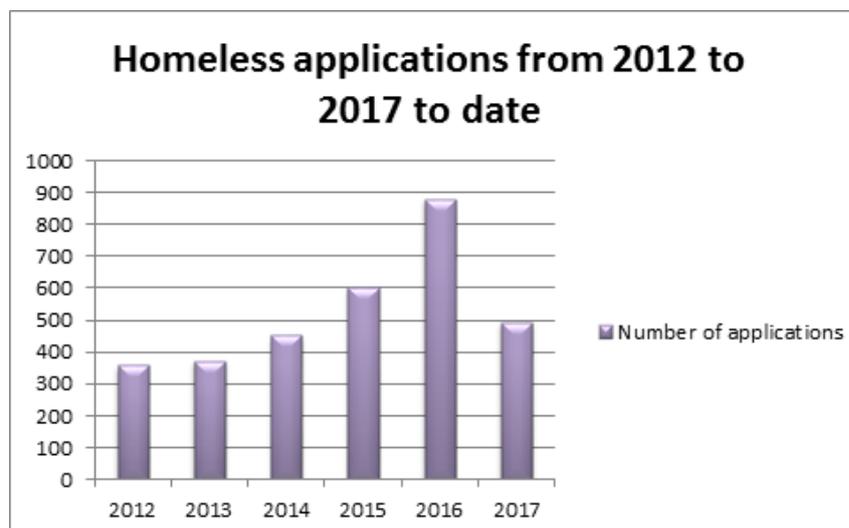
- 1.1 Right-to-buy receipts are accrued following a sale of a council home to a tenant through the right to buy legislation. A proportion of these receipts are set aside for the provision of new affordable rented homes (1-4-1 receipts), under the terms of an agreement with government.
- 1.1 Under the terms of the agreement, the council then has three years to spend the set aside receipt. If the receipt is not spent within this time then it must be repaid to

government with interest. If the Council considers it is unlikely to spend the receipts in the future, it can return them at the end of the quarter in which they receive with no financial penalty.

- 1.3 The receipts can only be used to fund up to 30% of the cost of providing new affordable homes. This means that the remaining 70% must be funded from an alternative source. The terms of the agreement place restrictions on the remaining funding and projects cannot include any additional government subsidy nor any contributions from planning agreements with private housebuilders.
- 1.4 The council can use the money to help fund its own projects or alternatively provide grant funding to a Registered Provider. Homes can be newly built or acquired for the provision of affordable rent.
- 1.5 This report recommends that the council fund an initial acquisitions programme with currently accumulating 1-4-1 receipts, with match funding provided by the Housing Revenue Account. New homes are urgently needed to assist households on the council's housing list and those who are homeless and living in emergency accommodation.

1.0 The Current Situation

- 2.1 Over the past 7 years an average 73 new affordable homes have been provided each year by the council and its housing association partners. The Strategic Housing Market Assessment completed in 2016 identified a need for 397 affordable homes per year. New initiatives to increase the supply of new affordable homes are needed and this is recognised as a priority within the council's Corporate Plan.
- 2.2 In addition, the council is facing a rapid growth in the number of homeless households as shown in the table below. This has led to an increase in the number of households in temporary accommodation; currently 174 households are living in temporary accommodation provided by the council.



- 2.3 The council's existing, approved development programme will have provided around 140 homes by 2019, and includes a mixture of new build and refurbished homes.
- 2.4 The receipts accumulated to date from the approved sale of homes at Coastguard Cottages, Ramsgate total £1.6m. It is proposed to use £1.5m of these receipts within the Margate Intervention Programme, in turn releasing £1.5m of HRA capital funding

for the proposed acquisitions programme alongside £630k of the accumulating RTB 1-4-1 receipts. The delivery of the Margate Intervention Programme is not affected.

2.5 The table below identifies the dates that the accumulated 1-4-1 receipts must be spent to avoid the need for them to be returned to government.

£145,131.03	Dec-17
£461,278.73	Mar-18
£189,736.93	Jun-18
£211,310.90	Sep-18
£491,192.90	Dec-18
£950,857.23	Mar-19
£111,849.83	Jun-19
£255,654.73	Sep-19
£1,461,924.53	Dec-19
£1,278,313.77	Mar-20

2.6 Since October 2015, property prices across Thanet have increased by 15%. The average price in the district is £241,000 and the average price for a lower quartile property is £169,300 (based on data to July 2017). If properties within a value band of between £175,000 and £210,000 are targeted, the available resources will fund the purchase of between 10 and 12 homes.

2.0 Options

3.1 There are a number of potential options for the use of accumulating 1-4-1 receipts:

1. TDC provide match funding from the HRA and utilise the 1-4-1 receipts to provide affordable homes. This could either be by:
 - Acquiring existing homes, either new directly from a developer or from the existing private housing stock, or
 - Building new affordable homes.
2. Use the 1-4-1 receipts to provide grant funding to a Registered Provider (Housing Association) to provide affordable homes.
3. Return the RTB receipts to central government with interest at base rate + 4%.

3.2 This report recommends that £630k of RTB 1-4-1 receipts be allocated to an acquisitions programme, with additional match funding of £1.5m provided from the HRA capital programme.

Contact Officer:	Bob Porter, Head of Housing
Reporting to:	Director of Community Services

Annex List

None	N/A
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Background Papers

Title	Where to access copy
None	N/A

Corporate Consultation

Finance	Sarah Hills, Strategic Housing Accountant
Legal	Colin Evans, Assistant Litigation Solicitor