



Acquisition of Affordable Homes to spend Right to Buy Receipts

Report Author:	Tahir Majid , Housing Development Manager 01604 502407 tmajid@melton.gov.uk
Chief Officer Responsible:	Michelle Howard , Director for Housing and Communities (Deputy Chief Executive) 01604 502322 mhoward@melton.gov.uk
Lead Member/Relevant Portfolio Holder	Cllr Pip Allnatt - Leader of the Council and Portfolio Holder for Housing and Landlord Services

Corporate Priority:	Providing high quality council homes and landlord services
Relevant Ward Member(s):	All
Date of consultation with Ward Member(s):	Not Applicable
Exempt Information:	No
Key Decision:	Yes a) Incurring Expenditure of £50,000 or more
Subject to call-in:	Yes

1 Summary

- 1.1 The Government allows local authorities to use receipts from the sale of council homes to fund the delivery of new council homes subject to conditions. These include deadlines for the spending of Right to Buy (RTB) receipts.
- 1.2 If receipts are not spent on time, they have to be returned to the Government with a financial penalty.

- 1.3 The Council will deliver new council homes according to the Affordable Housing Development Plan 2022-26. This includes the option of purchasing new homes from developers.
- 1.4 Approval for the acquisition of homes using RTB receipts is currently achieved through individual Cabinet reports for each scheme. However, this process takes time and if there are delays in delivery, there is a risk of RTB receipts not being spent within yearly deadlines.

2 Recommendations

That Cabinet:

- 2.1 **Notes the need to spend Right to Buy receipts for the 2023/24 spending requirement to enable the acquisition of affordable homes.**
- 2.2 **Delegates authority to the Director of Housing and Communities in consultation with the Portfolio Holder for Housing and Landlord Services to purchase homes in accordance with the budget for spending Right to Buy receipts to meet the 2023-24 spending requirement.**

3 Reason for Recommendations

- 3.1 Delivering new council homes with RTB receipts will help to meet the corporate priority of providing high quality council homes and landlord services.
- 3.2 The Government imposes deadlines for spending RTB receipts. A certain amount of funds has to be spent each financial year in order to avoid receipts being sent back to the Treasury with an interest penalty.
- 3.3 Cabinet approval was obtained in December 2022 to purchase 8 new houses from a developer in Old Dalby. Expenditure on this scheme would have ensured that the RTB spend target for this financial year was achieved. Unfortunately, there have been delays due to the developer having issues with planning permission and construction. This means 6 of these homes will not be ready until the end of December 2023. There is a concern that if there are further delays in delivery, alternative purchases and associated Cabinet approvals will need to be made. As the Cabinet approval process takes time, there is a risk that the deadline for spend by the end of March 2024 may not be achieved.
- 3.4 Delegating authority to spend RTB receipts to the Director of Housing and Communities in consultation with the Portfolio Holder for Housing and Landlord Services will save time and ensure that receipts are spent within deadlines.
- 3.5 The homes will be acquired according to the Housing Development Plan 2022-26 which was approved by Cabinet in July 2022. All new homes will be purchased in consultation with the Portfolio Holder for Housing and Landlord Services, and in accordance with the budget for spending RTB receipts.

4 Background

- 4.1 The Government allows local authorities to use receipts from the sale of council homes to fund the delivery of new affordable homes subject to conditions. These include deadlines for the spending of Right to Buy receipts. If receipts are not spent on time, they will have to be returned to the Government with a financial penalty.
- 4.2 The Council will deliver new homes according to the Affordable Housing Development Plan 2022-26. This sets out the criteria for the way new homes will be added to the Council's housing stock. This includes purchasing new build homes from developers, acquiring older properties and developing our own housing schemes on Council owned sites.
- 4.3 We could consider buying older homes including former council houses. However, these would not be as energy efficient or maintenance free as new build homes. If we were to acquire former council housing it would mean purchasing them at full market price after having sold them at a discount.
- 4.4 The Government is encouraging Council's to build new homes. This would mean we could design our own homes to our own requirements and specification. However, constructing our own homes would take time to deliver as we would need to hire architects and tender for contractors. The Council doesn't currently have the skillset or economies of scale that an established developer would have on their sites. As RTB receipts have to be spent within yearly deadlines, it is considered that purchasing ready built homes would be the best option.
- 4.5 Approval for purchasing homes using RTB receipts is currently achieved with individual Cabinet reports on a scheme by scheme basis. As this is a time consuming process, there is a risk of RTB receipts not being spent within yearly deadlines.
- 4.6 For the spend of right to buy receipts in 2024/25, a Cabinet report will be presented to provide oversight on the volume of units for the year and proposed geographical locations, whilst also seeking delegated authority to spend in accordance with the budget for right to buy receipts.
- 4.7 Monitoring of progress is carried out through the council performance and budget management arrangements, and any risks to achieving the spending deadlines must be brought to the attention of the Portfolio Holder at the earliest opportunity.

5 Main Considerations

- 5.1 The Government allows Councils up to 5 years to spend RTB receipts to acquire additional housing. As the RTB receipts are pooled, there is a certain amount that has to be spent by the end of each financial year.
- 5.2 If the RTB receipts are not spent on time, they have to be returned to the Treasury with penalties according to the relevant Bank of England interest rate plus 4%.
- 5.3 The table below shows the Council's total RTB spending requirement for the years 2023-24 to 2026-27.

Year	RTB receipts for spending on new affordable homes	Reserves required to spend with RTB receipts	Total
2023-24	247,600	371,400	619,000
2024-25	498,800	748,200	1,247,000
2025-26	53,200	79,800	133,000
2026-27	90,400	135,600	226,000
Total	890,000	1,335,000	2,225,000

- 5.4 The yearly spend target is shown in the last column. This includes RTB receipts and matching reserves required for the acquisitions. The Council can use its one-for-one receipts from Right to Buy sales in order to fund the delivery of new affordable homes, however, this can only make up 40% of the cost with the remaining 60% to be made up from Council reserves.
- 5.5 The Affordable Housing Development Plan allows for both the acquisition and development of new council housing using RTB receipts. As it would take time and expense for the Council to construct its own new housing, it is considered that purchasing ready built homes would be the best option.
- 5.6 For this financial year, the Council needs to spend £619,000 by 31st March 2024, in order to avoid penalties.
- 5.7 The Council has Cabinet approval to acquire 8 houses from Rippon Homes Ltd who are developing a site in Old Dalby. This acquisition would have ensured the RTB spend requirement of £619,000 would be comfortably achieved by the end of this financial year.
- 5.8 Unfortunately, due to issues with planning approval and difficulties in obtaining building supplies, the construction of the houses has been delayed. So far, only two homes have been completed.
- 5.9 The builder has assured the Council that the remaining six houses will be constructed by the end of December 2023. If these do not complete as promised, there is a risk that the Council will miss the required spend target for this financial year.
- 5.10 In order to mitigate the risk of unspent funds, the opportunity to acquire houses from other developer's is being considered.
- 5.11 There are a number of new housing developments in Melton and homes suitable for acquisition were assessed in terms of price and availability.
- 5.12 Jelson Homes Ltd have a 2 bed house at their Scholars Walk scheme in Melton which is available for £205,000. They also have a new 3 bed house available at a development in Asfordby for £225,000.

- 5.13 If the Council acquires these in addition to the two that are complete in Old Dalby, the total spend for this year will be £750,000. This will ensure that the minimum required spend of £619,000 is achieved.
- 5.14 However, Cabinet approval is required for further acquisitions. The process of going to Cabinet every time for acquisitions is time consuming and risks spend deadlines not being met. Time could be saved if prior approval to spend RTB receipts was obtained in advance of the deadlines. This could be done if Cabinet approval is obtained to delegate authority to the Director of Housing and Communities to purchase new council homes.
- 5.15 All homes will be purchased in accordance with the budget for spending RTB receipts and in consultation with the Portfolio Holder for Housing and Landlord Services.
- 5.16 Delegating authority will enable faster decisions to be made. This will allow greater flexibility when dealing with potential delays to delivery. It will also enable the Council to benefit from discounts that some developers may offer in return for quick sales.

6 Options Considered

6.1 Continue to obtain Cabinet approval for individual scheme acquisitions.

- 6.2 There are targets for RTB spend which have to be met by the end of each financial year. The current process of finding suitable acquisitions and publishing proposals in the Forward Plan for a month before presenting to Cabinet (which only takes place on certain dates) is time consuming.
- 6.3 Sometimes there may be delays in delivering new homes from schemes that already have Cabinet approval. Seeking alternatives in limited time means having to go to Cabinet again and risking RTB receipts not being spent according to deadlines.

7 Consultation

- 7.1 Consultation has taken place with officers in Housing Options, Asset Management, Finance and Legal teams.

8 Next Steps – Implementation and Communication

- 8.1 If the recommendations of this report are agreed by Cabinet, steps will be taken to purchase council homes with the approval of the Director of Housing and Communities in consultation with the Portfolio Holder for Housing and Landlord Services, and in accordance with the RTB budget.

9 Financial Implications

- 9.1 No borrowing will be required to fund purchases of council homes using RTB receipts.
- 9.2 The acquisition of houses will be funded with a combination of RTB receipts and HRA reserves.
- 9.3 The HRA Business Plan 2022-52 allows for the expenditure of £2,225,000 to deliver council housing using RTB receipts for the years 2023-24 to 2026-27.

Financial Implications reviewed by: Director for Corporate Services

10 Legal and Governance Implications

- 10.1 Under section 8 of the Housing Act 1985 (as amended) ('the Act') the Council has a duty to consider housing conditions in its borough and the needs of the borough with respect to the provision of providing further housing accommodation. These duties can be coupled with

the general power of competence under section 1 of the Localism Act 2011 which gives councils the power to do anything an individual can do subject to any statutory constraints.

- 10.2 Under section 9 of the Act the Council has power to provide housing accommodation by building or acquiring such accommodation and must keep the needs of the borough in relation to such housing under review
- 10.3 Each property identified for purchase will be subject to a due diligence process in terms of relevant searches, ownership and title matters prior to acquisition.
- 10.4 This decision provides delegated authority to the Director of Housing and Communities in consultation with the Portfolio Holder for Housing and Landlord Services to purchase homes within the 2023-24 financial years. For the spend of right to buy receipts in 2024/25, a Cabinet report will be presented to provide oversight on the volume of units for the year and proposed geographical locations, whilst also seeking delegated authority to spend in accordance with the budget for right to buy receipts.
- 10.5 Monitoring of progress is carried out through the council performance and budget management arrangements, and any risks to achieving the spending deadlines must be brought to the attention of the Portfolio Holder at the earliest opportunity.

Legal Implications reviewed by: Senior Solicitor

11 Equality and Safeguarding Implications

- 11.1 The acquisition of affordable homes will make a significant contribution to the provision of additional high-quality affordable housing in the borough, providing homes for those facing homelessness and on lower incomes.
- 11.2 The proposals in this report do not raise any negative impacts for equalities and demonstrate that the Council has paid due regard to equalities as required by section 147 of the Equality Act 2010.

12 Data Protection Implications (Mandatory)

- 12.1 A Data Protection Impact Assessments (DPIA) has not been completed as there are no Data Protection implications arising from this report.

13 Community Safety Implications

- 13.1 None arising directly from this report.

14 Environmental and Climate Change Implications

- 14.1 This consideration will form part of the decisions taken to acquire homes. Officers will seek to ensure that homes are as energy efficient as possible and meet the standards set out in the Council's Housing Asset Management Plan.

15 Risk & Mitigation

Risk No	Risk Description	Likelihood	Impact	Risk
1	Failure to meet RTB receipt spend deadlines	Low	Critical	Medium Risk
2	Standard of homes below requirements	Low	Critical	Medium Risk
3	Insufficient demand for new homes	Low	Critical	Medium Risk

		Impact / Consequences			
		Negligible	Marginal	Critical	Catastrophic
Likelihood	Score/ definition	1	2	3	4
	6 Very High				
	5 High				
	4 Significant				
	3 Low			1,2,3	
	2 Very Low				
	1 Almost impossible				

Risk No	Mitigation
1	There will be early progression of purchase opportunities. Alternatives will be considered if there are delays in order to ensure RTB receipts are spent on time.
2	Homes will be independently surveyed prior to purchase to ensure acceptable condition and value for money.
3	Housing Options will be consulted to ensure that there is sufficient demand for the type and location of homes to be acquired.

16 Background Papers

16.1 [Affordable Housing Development Plan 2022-26](#)

17 Appendices

17.1 None