



Acquisition of Affordable Homes to spend Right to Buy Receipts 2024-25

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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:	Yes, by virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972.
Key Decision:	Yes a) Incurring Expenditure of £50,000 or more
Subject to call-in:	Yes

1 Summary

- 1.1 The shortage of affordable homes is a challenge across the country, including Melton. Sales of local authority homes under the Right to Buy arrangements provide an important opportunity for tenants to move into home ownership, but these sales further reduce the number of affordable homes available for rent.
- 1.2 The Council is helping to address this challenge by acquiring more housing to add to its stock. This is being done in line with the principles set out in the Affordable Housing Development Plan 2022-26.
- 1.3 The Government allows local authorities to use receipts from the sale of council homes to fund the delivery of new homes subject to conditions. These include deadlines for the spending of Right to Buy (RTB) receipts.
- 1.4 There are annual targets for spending RTB receipts. If they are not spent on time, they have to be returned to the Government with a financial penalty.
- 1.5 In 2023/24, the Council acquired three new homes in Melton Mowbray and Asfordby, enabling the council to achieve its target to spend RTB receipts and adding three high quality homes to its housing stock.
- 1.6 The RTB receipt spend target for 2024-25 is £479,500. It is proposed to purchase 2 x 3 bed houses from a new housing development in Melton to ensure that this year's target is met.
- 1.7 Cabinet approval to acquire 8 houses from a development in Marquis Gardens, Old Dalby was obtained in December 2022. Construction of these homes was delayed last year but they are now built. Subject to some technical agreements being made, it is proposed to complete the purchase of these homes this year.
- 1.8 Purchasing the houses in Melton and Old Dalby will ensure a total of 10 new homes are delivered and RTB receipt spend targets are met for all the years up to 2027/28.

2 Recommendations

That Cabinet:

- 2.1 **Approves the purchase of two houses from a new housing development in Melton.**
- 2.2 **Notes the intention to progress the purchase of eight new houses from the development in Marquis Gardens, Old Dalby.**
- 2.3 **Notes that in progressing these purchases, the Council will have achieved its Right to Buy receipt spending requirements up to 2027/28.**

3 Reason for Recommendations

- 3.1 Delivering new council homes with RTB receipts will go towards meeting the corporate priority of providing high quality council homes and landlord services.
- 3.2 Increasing the Council's stock of new homes will help to address the shortage of affordable homes in the Borough and reduce the number of applicants on the register for council housing.

- 3.3 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. The purchase of these homes will ensure that RTB receipts are spent on time.
- 3.4 The proposed acquisitions are affordable to the Housing Revenue Account. There is a budget allocated within the Council's capital programme for the acquisition / development of new affordable homes.
- 3.5 The delivery of the new homes will be managed within existing staff resources.

4 Background

- 4.1 There is currently a shortage of affordable homes in the Borough. The sale of council homes due to RTB is reducing the number of affordable homes for rent. There are currently 766 (October 2024) applicants looking for homes on the Council's housing register.
- 4.2 The Council is helping to address this issue by acquiring additional homes.
- 4.3 New homes are being delivered 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 properties from developers.
- 4.4 The Council can spend RTB receipts to acquire new housing but is subject to conditions including meeting targets for yearly spends.
- 4.5 In 2023/24, the Council met its requirement to spend RTB receipts and acquired three new homes in Melton Mowbray (x1) and Asfordby (x2), enabling the council to achieve its target to spend RTB receipts and adding three high quality homes to its housing stock.
- 4.6 The purchases last year also mitigated a risk created by the stalled housing development in Old Dalby, for which Council approval to acquire 8 x new homes had been provided in 2022.
- 4.7 This year the Council needs to spend £479,500 on the delivery of new homes to ensure that the RTB receipt spend target is met for 2024/25.

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 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 was subject to caps which were 40% in 2023-24 and 50% for later years. The Government announced greater flexibilities in July 2024 which means that replacement homes can now be funded with 100% RTB receipts for an initial period of 24 months.
- 5.3 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%.
- 5.4 The Council achieved last year's spend target through the acquisition of three new build houses.
- 5.5 For this financial year, the Council needs to spend £479,500 of RTB sale receipts on the delivery of new homes.

- 5.6 It is proposed to purchase 2 x 3 bed houses from the housing development on Scholars Walk in Melton for £559,900. This will ensure that the RTB receipt spending requirement for 2024/25 will be achieved.
- 5.7 For the following years of 2025/26 to 2027/28, the Council has a target spend of £657,300 to deliver affordable homes using RTB sale receipts.
- 5.8 In addition to the purchase of two houses in Melton this year, it is proposed to purchase 8 x 2 bed houses from the Marquis Gardens development in Old Dalby for which Cabinet approval was obtained in 2022. The delivery of these houses was postponed last year due to significant delays in construction. However, the homes are now built, and the developer is just waiting for the completion of some technical agreements with Leicestershire County Council with regard to the roads.
- 5.9 It is proposed to purchase these 8 new houses once all agreements and legal requirements have been met.
- 5.10 The proposed acquisition of two houses in Melton will ensure that the RTB receipt spend requirement for 2024/25 is met. The acquisition of 8 houses in Old Dalby will ensure the Council will achieve its Right to Buy receipt spending requirements up to 2027/28.

6 Options Considered

- 6.1 Doing nothing is not considered acceptable given the shortage of affordable homes to rent in the borough and the waiting list for council homes. There are targets for RTB receipt spend which have to be met by the end of each financial year. If arrangements to acquire new homes are not made on time, it would increase the risk of the Council having to return Right to Buy receipts to HM Treasury.
- 6.2 There is an option to acquire older properties that are on the market rather than new build houses. However, it is likely that additional renovation works would be needed, and older homes may not have the latest energy saving measures that new houses have.

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 Subject to Cabinet approval, the houses will be purchased and added to the Council's housing stock.

9 Financial Implications

- 9.1 Following changes to the rules announced by the Government in July 2024, the Council will fund 100% of the cost of acquisitions with Right to Buy receipts.
- 9.2 There is no interest cost associated with these purchases as there is no borrowing.
- 9.3 There are sufficient funds in the housing development budget to finance the cost of purchasing the homes this year.
- 9.4 The acquisitions will be in line with the commitments set out in the HRA Business Plan 2022-52.

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 Monitoring of progress is carried out through the Council performance and budget management arrangements, and any risks to achieving the spending deadlines will 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 The new build homes are more energy efficient than older homes and incorporate energy saving measures which will reduce carbon emissions.

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 affordable 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	If there are delays in the completion of the properties within required timescales, alternatives will be considered and presented to Cabinet to ensure RTB receipts are spent on time.
2	Homes will be surveyed to ensure acceptable condition and value for money.
3	There are currently 766 (October 2024) applicants on the Council's housing register showing that there is substantial demand for affordable homes.

16 Background Papers

- 16.1 [Affordable Housing Development Plan 2022-2026](#)
- 16.2 [Cabinet Report, December 2022: Acquisition of 8 properties in Old Dalby](#)
- 16.3 [Cabinet Report, November 2023: Acquisition of affordable homes](#)

17 Appendices

- 17.1 None