

Report to Council
25 June 2019
Report of Chief finance officer (Section 151 Officer)
Subject Adjustment to the HRA capital programme - Affordable
Housing Opportunities fund

Item

7

KEY DECISION

Purpose

To consider an adjustment to the HRA capital programme for 2019-20 to include a budget allocation for the purchase of assets by the council to support the provision of new council housing.

Recommendations

To approve cabinet's recommendation of 12 June 2019:

The establishment of an affordable/social housing opportunities fund budget of £2.5million within the 2019/20 HRA capital programme to purchase council homes or land to develop new council homes, where this is affordable within the HRA business plan.(£750,000 of which will be funded from retained RTB receipts).

Corporate and service priorities

The report helps to meet the corporate priority great neighbourhoods, housing and environment.

Financial implications

- (1) The new affordable housing opportunities fund will require a total budget provision of £2.5million to be added to the 2019/20 HRA capital budget. The costs relating to the purchase of the new council housing can be funded through the use of retained one for one Right to Buy (RTB) receipts for 30% of the cost as well as through HRA revenue contributions, receipts, reserves, from the disposal of assets uneconomic to maintain, borrowing or from a combination of these.
- (2) The council has retained £32.96m of RTB one for one receipts since signing its retention agreement in 2012. These receipts can fund 30% of the cost of building new affordable homes with the remainder being funded by other means. Any receipts not applied within 3 years of retention will need to be returned to the government with interest, so these recommendations will mitigate the risks of this.

Ward/s: Multiple Wards

Cabinet member: Councillor Harris - Deputy leader and cabinet member for social housing

Contact officers

Andrew Turnbull, senior development officer

01603 212778

Shaun Flaxman, finance business partner, LGSS

01603 212805

Background documents

None

Report

Background

1. The relaxation of the Housing Revenue Account (HRA) borrowing cap gives the council opportunities to consider increasing the provision of new council homes.
2. The council has retained nearly all Right to Buy (RTB) one for one replacement receipts since signing a retention agreement in 2012.
3. Financial regulations governing RTB receipts require that they are allocated to new developments and/or purchase of homes within three years of receipt.
4. Should they not be allocated accordingly the council will be obliged to hand over the receipts to the UK Government at base rate plus 4% interest.
5. Retained receipts need to be utilised within the timelines outlined below.

Deadline	Receipt to Return £'000	Interest £'000	Total Payable £'000
Dec 2020	1,285	158	1,443
Mar 2021	1,349	206	1,555
Jun 2021	839	127	966
Sep 2021	548	76	624
Dec 2021	1,226	187	1,413
Mar 2022	1,082	164	1,246
Total	6,329	919	7,248

Affordable Housing Opportunities Budget

6. On 7 October 2015 Cabinet approved to:-
 - a) Agree the principle to be adopted for the application of right to buy (RTB) one for one receipts is that we will seek to:
 - i) spend first on the council's own housing capital programme; and
 - ii) where we do not expect to be able to spend in full will seek to pass the remainder to Registered Providers (Providers) to develop social rented housing as a first priority and affordable rented housing where this is not possible.

7. In March 2017 cabinet and council further approved a one off budget of £1m for the purchase of affordable housing in the 2017/18 housing capital programme.
8. In order to ensure the utilisation of retained RTB receipts is maximised it is proposed:
 - (a) To continue to provide grants to registered providers as approved by cabinet in October 2015.
 - (b) To establish an 'affordable housing opportunities' budget of £2.5million within the 2019/20 HRA capital programme to be available when opportunities arise, to purchase new homes and/or land to develop new council homes, subject to the agreed HRA business plan;
 - (c) For this to be an annual addition to the housing capital programme with the budget allocation set each year in line with other capital considerations of the HRA;

** It is acknowledged that this is an allocation for opportunities that exist currently and may present themselves and as is a prudent estimate of the finance that may be required over the financial year.
9. There are six main benefits to the council in setting up a fund to purchase properties and land where they are affordable within the HRA business plan:
 - (a) The council would be able to move very quickly as and when opportunities arise
 - (b) We will be able to apply retained one for one right to buy receipts to fund 30% of the purchase price, mitigating our risks of returning these with interest
 - (c) Increasing the provision of new social housing to meet housing need
 - (d) The addition of properties to our stock will increase our rental income and mitigate stock losses through RTB
 - (e) New build properties on S106 schemes represent very good value for money to the council, compared with building on our own land; and
 - (f) In purchasing the social rent affordable element of a scheme, the council will help to ensure that more developments come forward on a policy compliant basis.

Recommendation

10. Council are asked:
 - (a) To approve the establishment of a budget of £2.5million within the 2019/20 HRA capital programme to be available when opportunities arise to purchase affordable homes or land to develop affordable homes, where this is affordable within the HRA business plan;

Integrated impact assessment



NORWICH
City Council

The IIA should assess **the impact of the recommendation** being made by the report

Detailed guidance to help with the completion of the assessment can be found [here](#). Delete this row after completion

Report author to complete

Committee:	Council
Committee date:	25 June 2019
Director / Head of service	Chief finance officer (Section 151 Officer)
Report subject:	Adjustment to the HRA capital programme
Date assessed:	29 May 2019

	Impact			
Economic (please add an 'x' as appropriate)	Neutral	Positive	Negative	Comments
Finance (value for money)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Provision of more affordable homes, will improve overall affordability of the housing stock in the City. This represents a prudent use of financial resources to meet corporate priorities. Grant funding RTB receipts will also minimise the risk of the council paying back receipts with high interest.
Other departments and services e.g. office facilities, customer contact	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
ICT services	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Economic development	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	This project will provide employment opportunities, opportunities for local contractors and businesses and will generate local spending for the benefit of the wider economy. Providing more housing is important in supporting sustainable economic growth and prosperity
Financial inclusion	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Providing additional affordable housing will advance financial inclusion by helping to improve housing affordability.
Social (please add an 'x' as appropriate)	Neutral	Positive	Negative	Comments
Safeguarding children and adults	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Building more affordable homes to meet changing needs will help provide accommodation for vulnerable adults.
<u>S17 crime and disorder act 1998</u>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

	Impact			
Human Rights Act 1998	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Health and well being	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	The provision of sufficient and decent quality housing is essential to ensuring decent levels of health and well being
Equality and diversity (please add an 'x' as appropriate)	Neutral	Positive	Negative	Comments
Relations between groups (cohesion)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Eliminating discrimination & harassment	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Advancing equality of opportunity	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Environmental (please add an 'x' as appropriate)	Neutral	Positive	Negative	Comments
Transportation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Natural and built environment	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Waste minimisation & resource use	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Pollution	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Sustainable procurement	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

	Impact			
Energy and climate change	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
(Please add an 'x' as appropriate)	Neutral	Positive	Negative	Comments
Risk management	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Purchasing properties and land for affordable housing will minimise the financial risk or repaying RTB receipts with punitive interest to MHCLG

Recommendations from impact assessment	
Positive	
Overall the project will provide more affordable homes in the city which will improve overall affordability of the housing stock. The investment priorities represent a prudent use of financial resources to meet corporate priorities, will minimise the risk of returning receipts to MHCLG with punitive interest and will provide local employment opportunities.	
Negative	
Neutral	
Issues	