

**Report for:** Cabinet Member Signing – 5 October 2017

**Item number:** 4

**Title:** Allocation of Right to Buy Receipts over £500,000 to identified Development Projects to part- fund delivery of Affordable Rented Housing

**Authorised by:** Strategic Director of Regeneration Planning and Development

**Lead Officer:** Alan Benson Head of Housing Strategy & Commissioning  
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**Ward(s) affected:** All

**Report for Key/  
Non Key Decision:** Key Decision

## **1. Describe the issue under consideration**

- 1.1 The Council has identified a development pipeline of affordable rented dwellings and wished to allocate Right to Buy (RTB) Receipts to fund up to 30% of eligible scheme costs, in accordance with DCLG rules.
- 1.2 Delegated powers to allocate RTB funds apply up to £500,000. The schemes detailed in this Report require funding in excess of this amount and therefore Cabinet approval is required
- 1.3 The proposed funding is based upon current available information regarding tenure mix and cost estimates. The final amount of RTB funding to be allocated is still under negotiation and will be subject to the planning process (approving the number of rented dwellings) and further justification of scheme costs by the Registered Provider developer as the project progresses. The amount of grant proposed to be allocated is therefore commercially sensitive and included within Part B which is exempt.
- 1.4 The Council has sufficient net RTB Receipts to fund the allocations proposed within this Report.

## **2. Cabinet Member Introduction**

- 2.1 The Council's Corporate Plan includes objectives to increase the supply of new affordable housing which is also reflected in our Housing Strategy.
- 2.2 The provision of affordable rented homes will be encouraged by the Council funding up to 30% of scheme costs via re-cycling of RTB receipts as grant to Registered Providers (RPs) and to the Council with the benefit of nomination rights to the borough. These receipts would have to be returned to Central Government with interest, were they not employed to enable replacement homes.
- 2.3 The use of RTB grant as recommended in this Report, when added to projects at 500 White Hart Lane and the Sanctuary Phase 2 infill programme (both seeking separate Cabinet approvals to authorise RTB spend) will part-fund over 200 affordable homes and represents a valuable contribution by the Council to increasing the supply of affordable rented homes. It assists the financial viability of projects including affordable rented homes to promote a more mixed and balanced community. The borough will receive nomination rights to all funded homes.
- 2.4 In this way, the Council is demonstrating its commitment to further the development of high-quality, well-insulated affordable rented homes for local people.

## **3. Recommendations**

- 3.1 The Cabinet Member is recommended to approve:
- (i) Allocation of RTB receipts as grant funding to the projects designated in the Table at paragraph 6.5 below up to the funding amounts detailed in Part B (exempt).
  - (ii) That agreement of the final amount of grant allocated to each project is delegated to the Director of Regeneration, Planning and Development after consultation with the S151 Officer provided that the amount of funding allocated to each project does not exceed the figure indicated for that project within Part B (exempt).

## **4. Reasons for decision**

- 4.1.1 There is an acute shortage of housing supply, particularly of affordable housing, in Haringey. The borough has engaged with RPs and identified a development pipeline of sites where input of RTB receipts to grant fund up to 30% of scheme costs will help address this shortage by enabling a higher proportion of rented homes to be developed than may otherwise be the case.

- 4.2. The Housing Revenue Account budget is under pressure due to the 2016-20 1% per year rent reduction and the potential High-Value Voids Levy to fund the Right to Buy extension for housing associations. The grant allocations recommended in this Report are to Registered Providers who have the development capacity and expertise to efficiently deliver housing and the financial capacity to provide the necessary 70% match-funding.
- 4.2. The Council expects the dwellings on these sites to be delivered within a reasonable timescale. All recipients of RTB grant funding will enter into a RTB Funding Agreement with the Council prior to receipt of funds. This Funding Agreement will require re-imburement of the RTB grant should there be unreasonable delay due to the Registered Provider not progressing development proposals in a timely manner.
- 4.2. The Council has sufficient retained RTB receipts to part- fund these development projects. RTB receipts that are retained by the Council and not used within 3 years to provide replacement affordable rented dwellings have to be returned to DCLG with interest at 4% above the Base Rate.
- 4.2. Authority to allocate RTB receipts for projects where the proposed grant level is £500,000 or above exceeds delegated authority limits and requires Cabinet approval.

## **5. Alternative options considered**

### **5.2 To return net RTB Receipts to DCLG**

The Council is accumulating significant sums in RTB receipts and is allowed to re-invest this income to provide new rented affordable housing. Were the proposed receipts to be returned to DCLG rather than allocated to development projects, the supply of rented homes delivered and nominations to the Council would reduce given the adverse effect on financial viability resulting from the absence of this subsidy. In addition, retained receipts are to be spent within 3 years otherwise they have to be returned to DCLG with a penalty interest rate of 4% above Base Rate applicable.

Other possible alternatives that needs consideration:

The council could spend all the money on new council homes. However, due to Government borrowing restrictions, the council would also need to make significant reductions in the Housing Revenue Account (HRA) Capital Programme with a consequent deterioration in the standard of the existing housing stock.

The council could decide to restrict grant funding only to conversion of existing properties.

## 6. Background information

- 6.1 In April 2012 the Government raised the cap on RTB discounts and confirmed that receipts from the additional sales generated could be used to fund replacement stock on a one-for-one basis.
- 6.2 In order to retain these additional RTB receipts locally, the Council entered into an agreement with the Secretary of State for Communities and Local Government in September 2012 committing to:
- use all the receipts for the provision of social housing (i.e. not shared ownership or market sale);
  - the receipts will constitute no more than 30% of total investment in such homes (net of any contribution from another public body); and
  - that if, after three years, any of the receipts are not used as set out above, it will pay the unused sums - plus interest at base rate plus 4% - to the Secretary of State.
- 6.3 November 2014 Cabinet authorised using retained RTB receipts to part fund a Council acquisition programme of former Council owned properties sold under RTB and the principle of grant funding Preferred Partner RPs via an acquisitions and/or new build programme delegated to the Director of Regeneration, Planning and Development up to the approved limit of £500,000.
- 6.4 July 15 Cabinet extended the Director of Regeneration, Planning and Development's existing delegated authority for the approval of grant funding using RTB receipts beyond the Council's Preferred Partner RPs to now include all RP's developing in the borough up to the approval limit of £500,000, subject to grant approval being given after consultation with the Assistant Director (Finance) and in accordance with the Council's Financial Regulations.
- 6.5 Projects proposed for RTB grant funding

	<b>Project</b>	<b>Organisation</b>	<b>Rented Units</b>
<b>1.</b>	Ashley Rd. South Tottenham	Notting Hill Housing	33
<b>2.</b>	Apex House, Seven Sisters	Grainger Trust	59
<b>3.</b>	Monument Way Tottenham	Newlon	54

## 7. Contribution to strategic outcomes

The Delivery of new homes on Council owned estate Infill sites falls within Priority 5 of the Councils Corporate Objectives:

“Create homes and communities where people choose to live and are able to thrive”

The Council’s **Housing Strategy** 2017-2022 builds on the Corporate Plan 2015- 2018 vision and objectives. The Councils vision for housing is:

*Housing is about people and communities, not just bricks and mortar. This means mixed and inclusive neighbourhoods where residents can lead happy and fulfilling lives*

This proposal will contribute to the following strategic objectives:

Strategic Objective 1 - Achieve a step change in the number of new homes built  
Strategic Objective 3 - Drive up the quality of housing for all residents

## 8. Finance

Right to Buy retained receipts are available for Haringey to contribute towards replacing homes. Right to Buy receipts must be utilised within 3 years of receipt and cannot exceed 30% of the cost of acquisition of a new home, hence a minimum of 70% of the cost of acquisitions are funded by the Council or a Registered Provider.

Any unused receipts not utilised by the Council within the 3 year window would need to be returned to DCLG and the money lost to the Council. It is critical that the Council therefore brings forward permissible works to fully utilise them. Currently the Council has £18.2m retained right to buy receipts. The table below illustrates when the receipts were achieved and the associated time limits.

Years	Quarter	Use by Date	Retained Receipts - Available (1-4-1 30%)
<b>2013/14 - Total</b>			
2014/15	Qtr - 1	30-Jun-17	£ 1,848,331
	Qtr - 2	30-Sep-17	£ 3,321,965
	Qtr - 3	31-Dec-17	£ 4,453,160
	Qtr - 4	31-Mar-18	£ -
<b>2014/15 - Total</b>			<b>£ 9,623,456</b>
2015/16	Qtr - 1	30-Jun-18	£ -
	Qtr - 2	30-Sep-18	£ -
	Qtr - 3	31-Dec-18	£ 1,599,420
	Qtr - 4	31-Mar-19	£ -
<b>2015/16 - Total</b>			<b>£ 1,599,420</b>
2016/17	Qtr - 1	30-Jun-19	£ -
	Qtr - 2	30-Sep-19	£ -
	Qtr - 3	31-Dec-19	£ 0
	Qtr - 4	31-Mar-20	£ 3,722,226
<b>2016/17 - Total</b>			<b>£ 3,722,226</b>
2017/18	Qtr - 1	30-Jun-20	£ 3,222,885
<b>2017/18 - Total</b>			<b>£ 3,222,885</b>

The nil values all indicate where the Council in the past has returned rather than retained RTB receipts in order to avoid having to pay associated interest costs on unspent RTB receipts.

As illustrated, the Council has sufficient net RTB Receipts to fund the allocations proposed within this Report.

## **10. Procurement**

N/A - Strategic Procurement notes the contents of this report and is not required to comment on this type of funding

## **11. Legal**

The Council is proposing to provide grant funding from its Right to Buy Receipts to part fund the Schemes and for the amounts set out in Part B of this report. The Right to Buy Receipts are subject to an Agreement entered into on 25 September 2012 between the Council and the Secretary of State. The Council is required under the agreement to use retained amounts for social housing and must not exceed 30% of the total costs. Amounts not used for this purpose have to be paid to the Secretary of State as set out in the agreement. The funding must be spent on Social Housing which is rented accommodation available for rent, at a rent below the market rate and made available in accordance with rules designed to ensure it is made available to people whose needs are not adequately served by the commercial housing market. The funding agreed here will need to be subject to a funding agreement to ensure the conditions set out in the Agreement are met.

In particular, the funding agreement should ensure that the Council is able to identify firstly the date upon which the funding (including the Registered Provider's 70% contribution) is actually spent by the Registered Provider on social housing development costs, and secondly the development costs upon which the funding is spent."

This is to deal with the facts that under the retention agreement:

- it is the actual date of spending of the funding that is relevant for the retention calculation, not the date it is granted to the RP
- it is only spending on development costs of social housing that counts for that calculation

The heads of development costs are set out in Part 6 of the Retention Agreement and are I understand defined in our usual form of funding agreement.

## **12. Equality**

The Council has a public sector equality duty under the Equality Act (2010) to have due regard to the need to:

- Tackle discrimination, harassment and victimisation based upon the protected characteristics;
- advance equality of opportunity between people who share those protected characteristics and people who do not;
- foster good relations between people who share those characteristics and people who do not.

The protected characteristics are: age, disability, gender reassignment, pregnancy/maternity, race, religion/faith, sex and sexual orientation. Marriage and civil partnership status applies to the first part of the duty.

The contribution of RTB grant funding will enable development of a higher proportion of affordable rented housing which will be targeted at local people who cannot afford to rent on the open market.

Rents will be in accordance with the borough's Housing Strategy and the affordable housing will be targeted at priority groups in compliance with borough housing policy.

The provision of additional affordable housing to own and rent will have a positive impact for groups with the protected characteristics, in particular younger residents, ethnic minorities and lone female parents, who we know have a disproportionately greater need for affordable housing.

10% of the properties will be wheelchair accessible in accordance with our planning policy, increasing suitable stock of housing for people with physical disabilities.

The homes will be constructed to Code 4 equivalent for high-insulation homes to combat fuel poverty, known to disproportionately impact on households with low incomes, older people and people with young children.

### **13. Use of Appendices**

Part B details Proposed RTB Funding Allocations per Project (exempt)

### **14. Local Government (Access to Information) Act 1985**

Part B is exempt as it contains information relating to the financial or business affairs of any particular person (including the authority holding the information).

