

<p align="center">London Borough of Hammersmith & Fulham</p> <p align="center">CABINET</p> <p align="center">9 OCTOBER 2017</p>	
<p align="center">PURCHASING ADDITIONAL AFFORDABLE HOMES</p>	
<p>Report of the Cabinet Member for Housing: Councillor Lisa Homan and the Cabinet Member for Economic Development and Regeneration: Councillor Andrew Jones</p>	
<p>Open</p>	
<p>Classification - For Decision</p> <p>Key Decision: Yes</p>	
<p>Wards Affected: All</p>	
<p>Accountable Director: Kathleen Corbett Director for Finance and Resources: Regeneration, Planning & Housing Services</p>	
<p>Report Author: Firas Al-Sheikh, Acting Head of Housing Financial Investment and Strategy</p>	<p>Contact Details: Tel: 020 8753 4790 E-mail: firas.al-sheikh@lbhf.gov.uk</p>

1. EXECUTIVE SUMMARY

- 1.1 This report seeks approval to allocate funding for the purchase of properties in Hammersmith and Fulham and neighbouring boroughs for the provision of affordable housing. This will facilitate a much needed increase in the supply of affordable housing that will help to ease the temporary accommodation pressure that the council has, while also making best use of right to buy receipts.
- 1.2 The council currently holds £28.4m of retained right to buy receipts. The council signed an agreement with CLG in June 2012 this states these receipts must be:
- spent within three years of receipt on a quarterly basis for the provision of affordable housing which must be let at 80% or less of market rent.

- can only fund up to 30% of the costs of developing or acquiring properties. The other 70% must come from the councils own resources and cannot contain external grants such as those awarded by the GLA or HCA.

1.3 Full details of the restrictions are set out in Appendix 1.

1.4 This report seeks to expedite the use of these receipts for the purchase of properties for the provision of affordable housing.

2. RECOMMENDATIONS

2.1 That delegated authority be granted to the Lead Director of Regeneration, Planning & Housing Services with the Director of Finance and Resources of Regeneration, Planning & Housing Services, in consultation with the Cabinet Member for Housing and the Cabinet Member for Economic Development and Regeneration, to purchase individual properties in Hammersmith & Fulham and neighbouring boroughs for use as affordable housing to the value of £4.9m.

2.2 To approve the creation of an £4.9m budget in the Decent Neighbourhood Programme Budget to use for these purchases, with £3.43m being funded by unrestricted capital receipts and £1.47m being funded by right to buy one for one receipts.

3. REASONS FOR DECISION

3.1 Using the RtB 1-4-1 receipts to finance the purchases will allow the council to add to the availability of affordable rented housing in the borough and help to contain the current pressures on temporary accommodation costs in the General Fund.

3.2 If these purchases are not completed within the deadlines set by CLG then the council will have to return receipts to CLG with interest.

3.3 This is also an opportunity for the council to help its leaseholders of properties in high rise blocks who are struggling to sell on the open market due to the impact of the Grenfell Tower disaster.

4. OPTIONS AND ANALYSIS OF OPTIONS

4.1 Property acquisitions funded this way must be permanently allocated for use as affordable rented accommodation¹.

4.2 The Council could choose to not use the retained right to buy receipts. However, this would result in the Council repaying the right to buy receipts and interest, which would then be used by CLG to fund affordable housing elsewhere. This is not an acceptable outcome for the Council.

¹ Tenants living in them can still exercise their Right to Buy

- 4.3 The Council could spend the receipts on the construction of new affordable housing. While the Council intends to do this and has allocated receipts to existing and planned schemes, the receipts can only be used for actual expenditure. However, at this time there are no live schemes with relevant expenditure where the receipts could be used.
- 4.4 A final option would be to distribute the funding to housing associations who are planning to construct new affordable homes in lieu of grant. However, while the Council intends to do this on some schemes, most affordable schemes in the borough have GLA funding – and two sources of public funding cannot be used.
- 4.5 Therefore, the best way of using the right to buy receipts for affordable housing in the borough in the near future is to purchase existing properties. Officers will make a targeted approach to leaseholders who have purchased their property under the right to buy and who are selling their homes on the open market.

5. EQUALITY IMPLICATIONS

- 5.1 There are no equality implications.

6. LEGAL IMPLICATIONS

- 6.1 In June 2012 the council entered an agreement with the CLG pursuant to Section 11(6) of the Local Government Act 2003 relating to RTB receipts.
- 6.2 The agreement makes it clear that the council must use retained receipts for the provision of social housing which is defined in the agreement as low cost rental accommodation as defined by section 68(1)(a) of the Housing and Regeneration Act 2008 (“the Act”).
- 6.3 Section (1)(a) of the Act states:
(1) in this part “social housing” means -
(a) low cost rental accommodation (defined by section 69)
Section 69 states:
Accommodation is low cost rental accommodation if -
(a) it is made available for rent;
(b) the rent is below the market rate; and
(c) the accommodation is made available in accordance with rules designed to ensure that it is made available to people whose needs are not adequately served the commercial housing market.
- 6.4 Temporary accommodation falls within the definition of social housing if the rent charged is below the market rent.
- 6.5 Implications completed by: Janette Mullins, Senior Solicitor (Housing Litigation), 020 8753 2744.

7. FINANCIAL IMPLICATIONS

- 7.1 The Decent Neighbourhood Programme does not currently have a budget set aside to purchase these properties. Therefore, the £4.9m addition to the programme will require additional resources.
- 7.2 £1.47m of this will be met by retained Right to Buy one for one (Rtb 1-4-1) receipts (capped at 30%), with the remaining £3.43m being funded by unrestricted capital receipts. As at 1st April 2017 the HRA held £7m of unrestricted capital receipts which notwithstanding the receipts that will be generated this year is sufficient to fund this budget. However as £3.43m of these receipts would not be available to finance the existing programme as a result of this decision, it would lead to an increase in the Housing Revenue Account (HRA) Capital Financing Requirement (CFR) which is effectively internal or external borrowing. Projections as at August 2017 show the CFR can accommodate this.
- 7.3 The purchase of these homes will ultimately allow the transfer of households currently housed in temporary accommodation into permanent Council accommodation. Considering the reduction in the marginal cost of Housing Benefit and foregone administrative costs, it is estimated that this will prevent costs per household of approximately £2,899 to the Council with a further £14,402 per household saved each year by central government (i.e. a total saving of £17,301² per annum per household, to the Exchequer as a whole).
- 7.4 A financial appraisal will be carried out before each purchase is approved to ensure it can be accommodated in the HRA 40-year business plan. Buybacks of formerly owned council stock (in or out of the borough) will likely contribute more to the HRA due to the economies of scale that apply to management and maintenance overheads.
- 7.5 The purchase of these homes will significantly reduce the risk of RtB 1-4-1 receipts having to be repaid this year to central Government.
- 7.7 Implications completed by: Firas Al Sheikh, Acting Head of Financial Investment and Strategy, 020 8753 4790.

8. BACKGROUND PAPERS USED IN PREPARING THIS REPORT

No.	Description of Background Papers	Name/Ext of holder of file/copy	Department/ Location
.	None		

² Numbers are based on Private Sector Licence Accommodation expected costs that fed into the 2017/18 Temporary Accommodation budget.

Appendix 1

How the retention of Right to Buy Receipts works

Retained RtB receipts (referred to as 1-4-1 receipts) are additional RtB receipts retained as a result of an authority's retention agreement with CLG. This agreement allows an authority to retain a greater proportion of its receipts than it would have under the alternative pooling arrangement in which an authority can only retain 25% of its RtB receipts. However, as part of the agreement the authority must meet the following conditions in the use of 1-4-1 receipts:

- The receipts must be spent within 3 years of initial retention. This is defined on a quarterly basis – i.e. if the council retains receipts in quarter 1 of 2017/18 then it must spend it by quarter 1 of 2020/21 (30th June 2020).
- 1-4-1 receipts can only be used towards the delivery of additional social/affordable rented housing. The test for this is asking whether the funding is facilitating additionality. In terms of defining affordable rented housing this is defined as being at 80% or less of market rents.
- 1-4-1 receipts can be used towards direct delivery, direct acquisitions, or grant funding an RP to development affordable rented housing.
- 1-4-1 receipts can only contribute towards 30% of the cost of delivery.
- The other 70% of funding can come from HRA resources, s106 or General Fund receipts. However, it cannot be mixed with GLA/HCA grants and if the General Fund borrows to fund the HRA then it should be recognised on the HRA CFR.
- In terms of the timing of using the 1-4-1 receipts the works/acquisition must have happened. I.e. the council cannot elect to pay the contractor in advance works or front load grant payments.