

<p>London Borough of Hammersmith & Fulham</p> <p>LEADER'S URGENCY REPORT</p> <p>MARCH 2018</p>	
<p>PURCHASING ADDITIONAL AFFORDABLE HOMES</p>	
<p>Report of the Leader – Councillor Stephen Cowan</p>	
<p>Open Report</p>	
<p>Classification - For Decision</p>	
<p>Key Decision: Yes</p>	
<p>Other services consulted: Housing Solutions</p>	
<p>Wards Affected: All</p>	
<p>Accountable Director: Jo Rowlands Lead Director Regeneration, Planning and Housing Services</p>	
<p>Report Author: Labab Lubab</p>	<p>Contact Details: Tel: 020 8753 4203 E-mail: Labab.Lubab@lbhf.gov.uk</p>
<p><u>Reasons for Urgency:</u> The Council wishes to maximise the use of Right to Buy one for one receipts to acquire more affordable housing in the Borough and avoid the loss of these funds the use of which is subject to a deadline.</p> <p><u>Date by which decision is required:</u> ASAP</p>	

AUTHORISED BY:

The Leader has signed this report.

.DATE: 23 March 2018

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 £29.2m 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 is 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 Economic Development & Regeneration and the Cabinet Member for Housing 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 would have to return receipts to CLG with interest.

4. PROPOSAL AND ISSUES

4.1 The Council wishes to 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.

4.2 The council currently holds £29.2m of retained right to buy receipts that will be used to contribute towards the cost of purchasing these properties. These receipts have to be returned to Government if they are not used within the three year deadline, so this decision will help ensure they are used to provide much needed affordable homes.

4.3 Property acquisitions funded this way must be permanently allocated for use as affordable rented accommodation¹. Affordable rented accommodation does not have to be let out on secure tenancies and Temporary on Licence tenancies can also fall into the definition of affordable rented accommodation so long as the rent levels are within 80% of open market rents.

5. OPTIONS AND ANALYSIS OF OPTIONS

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

5.2 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.

5.3 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.

5.4 Therefore, the best way of using 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.

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

6. CONSULTATION

- 6.1 When selecting properties to purchase colleagues in the Council's Housing Solutions Service will be consulted to ensure the homes we purchase address housing need.

7. EQUALITY IMPLICATIONS

- 7.1 It is not anticipated that there will be any negative impacts on groups with protected characteristics, under the terms of the Equalities Act 2010, from the planned purchase of properties on the open market to let on affordable rents.
- 7.2 Implications completed by Peter Smith, Head of Policy and Strategy, tel. 020 8753 2206.

8. LEGAL IMPLICATIONS

- 8.1 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.
- 8.2 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").
- 8.3 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.
- 8.4 Temporary accommodation falls within the definition of social housing if the rent charged is below the market rent.
- 8.5 *Legal Implications have been verified by Angus Everett, Principal Lawyer Housing Litigation Tel 020 8753 2724*

9. FINANCIAL IMPLICATIONS

- 9.1 On 9th October 2017 Cabinet approved £4.9m for the purchase of properties for affordable housing. Subsequently, as part of the "Full Year Capital

Programme 2017- Update to include the Fire Safety Plus Programme”, on 18th October 2017 this was confirmed by Full Council.

- 9.2 Only £0.56m remains of this budget. Therefore, an additional budget is required to facilitate further property purchases to ensure the Council retains the benefit of Right to Buy 141 receipts.
- 9.3 The additional £4.9m will be funded by:
- £1.47m by retained Right to Buy one for one (RtB 1-4-1) receipts (capped at 30% of the cost of acquiring a property),
 - £3.43m by unrestricted capital receipts.
- 9.4 As at 31st January 2018 the HRA was forecast to close the financial year with £7.9m of unrestricted capital receipts which is sufficient to fund this budget.
- 9.5 However this will mean that £3.43m of these receipts would not be available to finance the existing programme.
- 9.6 It will therefore lead to an increase in the Housing Revenue Account (HRA) Capital Financing Requirement (CFR) which is effectively internal or external borrowing. Projections as at January 2018 show that the Housing CFR can accommodate this.
- 9.7 The HRA has a CFR limit (HRA debt cap) of £254.6m. As at month 10 the current approved four-year programme projections takes the CFR to within £4.7m of the limit by the year 2019/20 before increasing to £7.6m in 2020/21.
- 9.8 This can accommodate the additional £3.43m expenditure incurred by approving the creation of this budget, but it should be noted that continued careful management will be needed to ensure that the Council remains below the HRA debt cap as this expenditure will bring the Council very close to this limit.
- 9.9 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 £2,900 to the Council per annum with further savings each year by central government through avoiding payment of the Local Housing Allowance.
- 9.10 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.

- 9.11 The purchase of these homes will significantly reduce the risk of RtB 1-4-1 receipts having to be repaid this financial year to central Government.
- 9.12 Implications completed by: Firas Al Sheikh, Acting Head of Financial Investment and Strategy, 020 8753 4790.

10. IMPLICATIONS FOR BUSINESS

- 10.1 Local Estate Agents may benefit from sellers commissions if the properties purchased have been marketed by them Otherwise there is no impact on local businesses.
- 10.2 *Implications verified/completed by Billy Seago, Work Matters Manager, 020 8753 5242*

11. COMMERCIAL IMPLICATIONS

- 11.1 This report seeks approval to create the budget of £4.9m for the purchase of individual properties in Hammersmith & Fulham and neighbouring boroughs for use as affordable housing.
- 11.2. While the costs are highlighted in the report, this proposal could lead to long term savings by reducing the temporary accommodation costs for the Council
- 11.1 *Implications verified/completed by: Andra Ulianov, Procurement Consultant, x2284*

12. RISK MANAGEMENT

- 13.1 The purchase of these homes will significantly reduce the risk of Right to Buy receipts having to be repaid this year to central Government and contribute to meeting local housing needs. Recommendations contribute positively to the management of risk by meeting local area needs and the local taxpayers expectations. The purchase of these homes will ultimately benefit the Council in areas stated at paragraph 7.3, households currently in temporary accommodation have increased opportunity to move into permanent Council accommodation, providing stability and also to the Council financially.
- 12.1 Implications verified by: Michael Sloniowski, Risk Manager, telephone 020 8753 2587

13. BACKGROUND PAPERS USED IN PREPARING THIS REPORT

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