

REPORT TITLE: HOUSING REVENUE ACCOUNT (HRA) PROPERTY ACQUISITIONS

11 MARCH 2020

REPORT OF CABINET MEMBER Cllr Kelsie Learney, Portfolio Holder for Housing and Asset Management

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WARD(S): ALL

PURPOSE

The HRA 2020/21 Budget Options report (CAB3216) gave approval to purchase specific properties to make use of Right to Buy 1-4-1 receipts before the end of March 2020. This report updates Cabinet on progress to date and seeks approval to allow for the substitution of alternative properties which are in accordance with the objectives of the Council Plan and the Council's viability tests, if any of the identified properties are not acquired.

RECOMMENDATIONS:

1. That, in addition to the approval to acquire properties set out in CAB3216, that approval be given to allow the substitution of alternative properties, subject to consultation with the Cabinet Member for Housing and Asset Management, that any alternative properties meet the Council's viability tests and that the overall value of purchases by the end of March 2020 does not exceed the £3m allocated for this purpose.
2. That authority be delegated to the Service Lead Legal to negotiate, prepare documentation and complete the necessary transactions in accordance within the agreed Heads of Terms for the purchase of the properties identified in CAB3216 and for any substituted properties.

IMPLICATIONS:1 COUNCIL PLAN OUTCOME

1.1 Providing good quality housing and new affordable homes is a strategic priority for the Council. Effective management of the resources available to the Council enable it to take advantage of new opportunities and ensure that satisfaction levels remain high amongst tenants in relation to their home and community. In particular the following:

1.2 Tackling the Climate Emergency and Creating a Greener District.

- a) Carbon Neutrality measures will be implemented across existing housing stock and include within the design and construction of new properties, and feasibility considered in the purchase of any substitute properties.

1.3 Homes for all

- a) Assist with the increase of housing property stock across the Winchester district.

1.4 Vibrant Local Economy

- a) Deliver affordable accommodation that allows people to live and work in the community and contribute to the local economy.

1.5 Living Well

- a) The wellbeing of residents are considered within the design of new properties and any substitute properties will be viewed accordingly.

1.6 Your Services, Your Voice

- a) The housing service needs to be transformed to provide an improved customer experience and the provision of substitute housing is a pragmatic way forward.

2 FINANCIAL IMPLICATIONS

2.1 Provision of £3m from a combination capital and “right to buy” receipts was approved in CAB3216 in January 2020.

2.2 If the required level of capital expenditure is not achieved by the end of March 2020 it will lead to a repayment of Right to Buy 1-4-1 receipts to the Ministry of Housing Communities and Local Government (MHCLG).

2.3 All potential Housing property purchases are subject to standard viability tests to ensure a positive net present value and payback over 35 years.

3 LEGAL AND PROCUREMENT IMPLICATIONS

- 3.1 This report is further to CAB3216 and therefore the same legal comments apply to this report. All proposed property acquisitions will be reviewed by the legal department, including title searches, before exchange and completion.

4 WORKFORCE IMPLICATIONS

- 4.1 None.

5 PROPERTY AND ASSET IMPLICATIONS

- 5.1 The proposed property acquisitions will be checked for condition and suitability before purchase.

6 CONSULTATION AND COMMUNICATION

- 6.1 None required.

7 ENVIRONMENTAL CONSIDERATIONS

- 7.1 Any proposed property purchase will consider the impact of Carbon and Nitrate Neutrality and will be subject to “retrofitting” of energy efficiency measures as part of preparing them for letting.

8 EQUALITY IMPACT ASSESSMENT

- 8.1 Equality Impact Assessment considerations have not altered since CAB3216.

9 DATA PROTECTION IMPACT ASSESSMENT

- 9.1 None.

10 RISK MANAGEMENT

- 10.1 The key risks impacting on the Housing Revenue Account are as follows:

Risk	Mitigation	Opportunities
<i>Property That the Council fails to adequately maintain housing stock and their condition falls below decent home standards.</i>	An effective and well funded programme of capital works linked to a comprehensive stock condition survey and sound future planning ensures decent home standards are met and	The government are considering making changes to the decent home standards as part of the Climate Change Emergency review and fire safety measures resulting from the Grenfell disaster

	maintained.	review recommendations.
<i>Community Support Consultation is required with tenants regarding HRA budgets and with the wider community over new build developments.</i>	Regular communication is maintained with tenants and leaseholders on a variety of housing issues. The Council consults with local residents and stakeholders on proposed new build schemes.	Pro-active consultation can bring forward options that otherwise may not have been considered.
<i>Timescales Delays to new build contracts result in lost revenue and potentially increased costs. An achievable new build programme is necessary to avoid the Council having to repay Right to Buy 1-4-1 receipts with interest or penalties.</i>	New build contracts contain clauses to allow the Council to recover damages if the project is delayed due to contractor actions. Close control is maintained on Right to Buy receipts and these are monitored against future spending plans to ensure action can be taken if necessary.	In addition to providing funding to support the new build development programme, the 1-4-1 receipts can also be used to buy back former Council owned properties.
<i>Project capacity Staff resources are insufficient to enable the planned new build programme to be delivered and the programme of major repairs on existing properties to be completed.</i>	Resources are monitored to ensure they are adequate to support the delivery of new build schemes and major repair liabilities.	
<i>Financial / VfM Potential repayment of Right to Buy 1-4-1 receipts to MHCLG if not spent within 3 years.</i>	Ensure sufficient capital expenditure on new development schemes and property acquisitions to avoid a potential repayment. £3m of capital expenditure identified in the business plan.	
<i>Legal Changing Government priorities and a greater emphasis on "social housing" (as compared to affordable housing) may</i>	Government policy changes are being followed closely to identify any new risks or opportunities that they	The measures recommended in this report are a proactive approach to meeting statutory obligations.

<i>impact on the Council's new build programme.</i>	bring.	
<i>Innovation Properties are constructed without digital capability for modern living</i>	New properties include digital capability within the design.	
<i>Reputation Failure to complete new build projects on time and to the required build standards would be likely to affect both customer satisfaction levels and the Council's reputation.</i>	Building contractors are closely managed throughout the construction phase and at completion to ensure properties meet design standards and letting requirements	
<i>Other</i>		

11 SUPPORTING INFORMATION:

- 11.1 The HRA Budget Options Paper 20-21 CAB3216 provided a detailed list of potential property acquisitions within the exempt paper.
- 11.2 Significant progress has been made on the acquisition of the properties identified in the exempt paper, with 3 completions in February, including the acquisition of the former Corner House pub in North Walls, Winchester.
- 11.3 The acquisition of a further 3 properties are currently in progress, all of which are expected to complete during March.
- 11.4 On review of the Council Right to Buy agreement, there is scope to include a proportion of the administration costs of the New Build team as qualifying capital expenditure for the purposes of 1-4-1 expenditure. This could utilise up to £100k of Right to Buy 1-4-1 receipts.
- 11.5 Based on completed and in progress property acquisitions, the use of Right to Buy 1-4-1 receipts prediction in the last 2 quarters of 2019/20 is approximately £900k, some £400k short of the £1.3m requirement to avoid a potential repayment to MHCLG.
- 11.6 Other possible property acquisitions are being considered, in addition to those listed on the CAB3216 exempt paper to ensure that the remaining £400k of Right to Buy 1-4-1 receipts can be allocated before the end of March and if approved, the recommendations set out in this report will support the acquiring of suitable alternative properties, subject to them meeting the Council's viability tests to ensure a payback and a positive net present value over 35 years.

12 OTHER OPTIONS CONSIDERED AND REJECTED

- 12.1 The Council could have decided to pay back any outstanding unspent Right to Buy 1-4-1 receipts to the Ministry of Housing, Communities and Local Government (MHCLG) at the end of March 2020 without a short term programme of property acquisitions. The potential repayment to MHCLG is calculated at up to £1.3m, which would support £4.25m capital expenditure on housing.

BACKGROUND DOCUMENTS:-

Previous Committee Reports:-

CAB3216 HRA Budget Options 20-21

Other Background Documents:-

None.

APPENDICES:

None.