

To: Cabinet – 10 November 2021
Council – 29 November 2021

Report of: Head of Housing Services

Title of Report: Use of Retained Right to Buy Receipts to increase the provision of more affordable housing

Summary and recommendations	
Purpose of report:	The report seeks project approval and delegations to enable the spending of Retained Right to Buy Receipts for the purpose of delivering more affordable housing, through new build or acquisition activity.
Key decision:	Yes
Cabinet Member:	Councillor Diko Blackings, Cabinet Member for Affordable Housing, Housing Security and Housing the Homeless
Corporate Priority:	Meeting Housing Needs
Policy Framework:	Housing and Homelessness Strategy 2018 to 2021
Recommendation(s): That the Cabinet resolves to:	
1.	Give project approval to the proposals to purchase and develop accommodation, as set out in this report, and within the allocated capital budgets, for the purpose of delivering more affordable housing in Oxford.
2.	Note that the proposals set out in this report, in relation to Retained Right to Buy Receipts have informed the budget setting process and that the implications for budgets are to be included within the 2022/23 consultation budget.
3.	Recommend to Council that a capital budget in the General Fund for £1,650,000 of expenditure, subsidised using £660,000 of Retained Right to Buy Receipts, is approved in 2021/22, to enable the acquisition and refurbishment of Roken House.
4.	Recommend to Council that a capital budget in the Housing Revenue Account for £2m expenditure, subsidised using £800,000 of Retained Right to Buy Receipts, is approved in 2021/22, to enable further property acquisition activity in the last two quarters of 2021/22.
5.	Delegate authority to the Executive Director for Communities and People, in consultation with the Cabinet Member for Affordable Housing, Housing Security and Housing the Homeless; the Head of Financial Services; and the Head of Law and Governance, to enter into agreement for the award of

- grant, contractual arrangement and/or spend, for the provision of additional affordable housing, using Retained Right to Buy Receipts, within this project approval..
6. **Delegate authority** to the Chief Executive, in consultation with the Cabinet Member for Finance and Asset Management; the Cabinet Member for Affordable Housing, Housing Security and Housing the Homeless; the Head of Financial Services; and the Head of Law and Governance, to approve any property purchase or development delivery over £500,000 for affordable housing, within this project approval.

Appendices	
Appendix 1	Summary of use of RRTBRs to date
Appendix 2	Risk Register
Appendix 3	Equality Impact Assessment

Introduction and background

1. The Council continues to develop a programme of affordable housing supply through multiple work streams, including the delivery of units through Oxford City Homes Ltd (OCHL); delivery directly by the Council; joint ventures, such as Barton Park; regeneration schemes; an acquisition programme; and enabling work with Registered Providers, Community-Led Housing organisations, and other partners.
2. Officers continue to review opportunities to bring forward the development of further affordable homes to increase the supply available to help meet Oxford’s housing needs. This might take the form of developing more new homes; acquiring property to use as affordable housing; or switching tenures to improve affordability and access to these homes.
3. This report identifies further opportunities for the delivery of more additional affordable homes for rent, supporting these initiatives with the use Retained Right to Buy Receipts (RRTBRs) funding.

Retained Right to Buy Receipts

4. Retained Right to Buy Receipts are the receipts that the Council is able to retain, to be recycled into new replacement affordable homes in accordance with the agreement signed in 2012 between the Council and the Secretary of State for Housing, following agreement for the self-financing of the Housing Revenue Account (HRA). Receipts that were unspent after three years from the time of the sale had to be returned to the Government, with interest (4% over base rate). This receipt/ spend profile was monitored quarterly.
5. Spend had to be on new rented social housing supply at up to 30% of the qualifying spend (i.e. £1m spend could be financed by using up to £300,000 of RRTBRs). Activity within OCHL is prohibited as suitable expenditure, as is combining this with any other grant funding.

6. The Council originally planned to use these funds as part of the financing for Barton Park, but when Government introduced a raft of financially negative proposals planned for the HRA in 2015, a review of HRA spending concluded that without the removal of the debt cap, it was unviable in the HRA. Consequently, the Council took the decision that the social housing on this site would be owned by OCHL, so using RRTBRs to part fund these acquisitions was no longer an option.
7. To date, the Council has used RRTBRs to support considerable investment across the General Fund and the HRA. This activity is summarised at Appendix 1.
8. Following consultation in 2018, the Government has recently made a number of changes concerning the use of RRTB funds, most taking effect from April 2021. This includes:
 - Increasing the period before payback is required to 5 years (from 3) and requiring only annual monitoring of this (not quarterly)
 - Increasing the rate at which these funds can be used to 40% (from 30%)
 - Placing a cap on acquisition activity (in favour of using this for new build) from April 2022 – *This is above the rate that Oxford expects to operate at, and excludes acquisitions from OCHL*
9. A report was agreed at Cabinet in January 2020 setting out further proposals for RRTBR spends in 2020/21 and 2021/22 (committing receipts retained from RTB sales up to the end of 2018/19).
10. To the end of March 2022, the Council presently forecasts that it will have spent all RRTBRs received up to the end of March 2019. This report therefore relates to receipts received from April 2019 on.
11. The deadline for receipts from the first quarter of 2019/20 (April to June 2019), under the previous rules, would have been the first quarter of 2022/23, but this is now extended from three years to five (i.e. to 2024/25). It is however prudent to plan suitable qualifying spend considerably ahead of this deadline to minimise the risk of having to repay any funds.
12. Recent RTB activity is shown in the table below. This has reduced substantially in recent years. In terms of RRTBRs, from 2019/20 and 2020/21, the Council currently has approximately £4.1 of receipts, currently unallocated to a project. This requires 'qualifying expenditure' of over £10.3m to use the receipts and ensure they do not have to be returned to Government.
13. At the half year of 2021/22, eight RTB sales had taken place, which would indicate a similar level of activity to 2020/21. In 2022/23, a similar position is also expected.

Financial Year	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Actual RTBs	8	45	46	32	25	36	21	29	20

For 21/22: There were 8 RTB sales to end Sept 2021 (at half year)

14. An in-year budget of £2m in 2021/22 is proposed to cover additional spend this year on acquisitions, plus the £1.65m Roken House purchase and refurbishment. This combined project spend is £3.65m, using £1,460,000 of RRTBRs.
15. In the Consultation Budget report to Cabinet (December 2021), a 'qualifying spend' allocation of approximately £6.65m is proposed across the 2022/23 and 2023/24 years (with up to £3.2m available to be used within the 2024/25 year instead, and within the 5 year deadline) which could enable the budget to be more evenly distributed over these three years, if desired.

Proposals for Spend

16. The following proposals show where this funding could be spent to provide significant benefit through the delivery of more affordable housing.

Roken House

17. Roken House (Lake Street, Oxford) has been used as supported accommodation for many years. The building was converted from an HMO into eight self-contained flats in 2012. It comprises of five 1-bed flats and a staff office on the ground floor, and two 2-bed flats on the first floor. The building is set back from the street, and in a well-connected location close to the centre of Oxford. It was decommissioned as a (County Council commissioned) service in 2020. The Home Group (Registered Provider) that own the freehold have confirmed that they would sell the property to the Council to assist with keeping these homes within the affordable housing sector.
18. Valuations of the property have been undertaken and a draft Heads of Terms agreement developed, with the proposal that the Council acquires the property, subject to further due diligence.
19. The Council would intend to refurbish the property and then use it as supported temporary accommodation for complex/ high need single clients requiring accommodation under homelessness legislation. This need, is a current pressure within the homelessness/ temporary accommodation service, and is part of a wider programme of work.
20. The current condition of the property is considered reasonable having been refurbished in 2012, but would benefit from some redecoration and updating. To make best use of the building, further improvements are being explored. The first floor currently comprises of two 2-bed flats, whereas three 1-bed flats would be preferable for the use proposed (i.e. single vulnerable clients). Initial work indicates that this is possible and an indicative cost has been provided. Further work is underway to provide further certainty in this regard. The works would present an opportunity for Oxford Direct Services (ODS) to undertake this project.
21. The building could still be used as temporary accommodation on the current layout (7 dwellings), but the addition of more units and improved design for single households is preferred (8 dwellings).
22. It is proposed that additional intensive support is commissioned in relation to this scheme. This would be akin to that provided for the new Housing First model. A further report with respect to this revenue funding will be brought forward, but the cost of the service is estimated at £40k per annum based on current market intelligence for similar services commissioned, with the proposal that this is funded from Homeless Prevention Grant. The operational requirement for this support will

be kept under annual review, and the support element will be recommissioned or decommissioned as required, and to fit with strategic delivery plans.

23. It is proposed that this project is funded with the General Fund. This best meets new regulatory requirements with regard to the HRA. However, should the property no longer be needed as temporary homeless accommodation, it could be transferred into the HRA for permanent lettings at Social Rent. Any debt balance would transfer from the GF to the HRA at that point.
24. The indicative cost for the acquisition and refurbishment of Roken House is shown in the table below. Funding would be 40% from using RRTBRs and 60% from borrowing. The proposal is that the total financial envelope for this project is £1,650,000.

Element	Description – Roken House	Cost
Acquisition	Purchase Price	1,400,000
	Stamp Duty (RP exemption)	0
	Legals/ Searches/ Surveys	20,000
Sub-Total		1,420,000
Refurbishment	Decent Homes/ Void Works (5 flats, office, common parts)	85,000
Re-modelling	Reconfiguration of first floor	100,000
	Fees at 15% of work value	15,000
	Project contingency at 15% of works value	15,000
	Project Management resourcing (inc design feasibility work)	15,000
Sub-Total		230,000
Total		1,650,000
Subsidy	Modelled assuming RRTBR use @40%	660,000
Net Cost		990,000

Acquisition Programme – Focused on ‘Buy-Backs’

25. The Council has an active programme buying properties in Oxford, from the private sale market. Many of the properties that best meet the Council’s financial parameters for this activity, and that provide best value for money, are previous Council properties sold under the Right to Buy, especially flats where the Council is still the freeholder.
26. A more modest programme is proposed going forward (to reflect the lower level of RTB receipts), the focus will be on purchasing those properties that provide the best value for money in the HRA in terms of acquisition value and rental income. The properties will be rented at Social Rent as permanent homes.
27. The Council may also seek to use funding on the buy-back of units from OCHL (including the ten homes that were transferred previously) to ensure that financial parameters for OCHL and the HRA are met, in being able to let these homes

permanently at Social Rent. Further approvals and delegations with regard to new development schemes, will be recommended to Cabinet in further reports.

28. The draft consultation budget for 2022/23 on, proposes a level of spend for this use based on the forecasts on RTB sales, as shown above. In order to continue the acquisition programme in 2021/22 a further in-year budget allocation is proposed.

Development Funding Flexibility

29. The increased spend period from the time of a RTB receipt and the time of required spend, from 3 years to 5 years, now also allows for some consideration of this funding source for development activity. RRTBR funding cannot be combined with another grant or other development subsidy, but opportunities may arise where this is beneficial. It is proposed that some flexibility could be applied in such an event, using the funding detailed above for acquisition/ direct development activity, for this purpose, but within the same overall budget envelope.

Financial implications

30. This report seeks the required delegations to further develop the programme of affordable housing supply. The decision to proceed with any purchase or development will be supported by a development scheme appraisal/ financial modelling to ensure that financial parameters and requirements are met.
31. In the event that the Council secures an opportunity for the purchase of a site/ multiple unit development, then the purchase price is likely to exceed general delegations (up to £500k). For this reason, this report recommends a further delegation to the Chief Executive, to provide for this circumstance and to allow the Council to move rapidly to enter into agreement should it wish to.
32. Roken House has been assessed as a General Fund scheme using a 50 year revenue model, including Minimum Revenue Provision and borrowing costs. This shows a viable scheme, producing 8 one-bed flats, and yielding a surplus over the 50 year period.

Legal issues

33. The Council entered into an agreement with the Secretary of State in September 2012 pursuant to Section 11(6) of Local Government Act 2003, which allows the Council to use capital receipts generated from Right to Buy sales for the provision of social housing. Right to Buy receipts must be applied in accordance with the agreement and relevant legislation. The proposals set out in this report are in accordance with the agreement referred to above.
34. It is proposed that any conveyancing for the acquisition programme continues to be undertaken using existing resource provision available to the Council.
35. The purchase of Roken House is exempt from Stamp Duty (SDLT) under s71 of the Finance Act 2003, as per the HMRC SDLT manual, as the vendor and the Council both have Registered Provider status.

Level of risk

36. A Risk Register is provided at Appendix 2. The main risk identified is not spending RRTBRs within the deadline from the time of receipt (now five years, extended from

three), and thereby being required to return the funds to Government with interest applied from the time of receipt.

37. In order to ensure that the on-going use of Roken House is future-proofed, a viable exit strategy has been identified and appraised (including a financial appraisal) to be assured that the units can be used for permanent lets in the HRA, should the temporary accommodation use no longer be required.

Equalities impact

38. An Equalities Impact Assessment is provided at Appendix 3. There are no adverse impacts in undertaking this activity, with the potential to improve provision for persons in housing need, through the provision of more affordable and accessible housing, and supported accommodation to better meet client needs.

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Background Papers:	None
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