

To: Cabinet
Date: 17 April 2024
Report of: Head of Regeneration and Economy
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 (RRTBRs) for the purpose of delivering more affordable housing, through new build or acquisition activity.
Key decision:	Yes
Cabinet Member:	Councillor Linda Smith, Cabinet Member for Housing
Corporate Priority:	More Affordable Housing and Meeting Housing Needs
Policy Framework:	Housing and Homelessness Strategy 2023 to 2028
Recommendations: That Cabinet resolves to:	
1.	Grant project approval to the proposals to purchase and develop accommodation as set out in this report and within the allocated capital budgets (2024/25 to 2028/29) for the purpose of delivering more affordable housing in Oxford; and
2.	Delegate authority to the Executive Director (Communities and People), in consultation with the Cabinet Member for Housing; the Head of Financial Services; and the Head of Law and Governance to agree sites and enter into agreements and contracts relating to the spend of Retained Right to Buy Receipts, for the provision of additional affordable housing into the Housing Revenue Account, within this project approval.

Appendices	
Appendix 1	Summary of use of RRTBRs to date

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 direct delivery; joint ventures; 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, from the sale of existing Council homes, where the Right to Buy has been exercised.
4. Previous reports have been approved by Cabinet on this on-going programme of work in November 2021 and previously in January 2020.
5. This report concerns the next round of spending, using £27m of funding identified for this purpose in the 2024/25 budget and MTFP by Council in February 2024, and as set out in paragraph 10 below.

Retained Right to Buy Receipts

6. The Council has been able to use RRTBRs under an agreement with Government as part of the Housing Revenue Account (HRA) self-financing in 2012. The regulations relating to this have changed a number of times since that time (most significantly in July 21), but the main characteristics of the scheme are currently:¹
 - a. Receipts have to be spent within 5 years of receipt or must be repaid to DLUHC with punitive interest penalties (4% above base, calculated on a day-to-day basis; compounded quarterly up to 30 April 21 and annually after that, from the time of receipt).
 - b. 'Qualifying Spend' must be on delivering affordable housing (now restricted to Social or Affordable Rent; shared ownership; or First Homes) and receipts can only fund 40% of eligible costs (the remaining 60% being from borrowing). In the budget on 6th March 2024, the Chancellor announced that the Government would allow RRTBRs at 50% from 1st April 2024 (once new agreements are signed between the Council and Government on this).
 - c. This spend cannot be combined with other public grant, receipt, or subsidy on the same units (with s.106 purchases being more recently excluded also).
 - d. Usually a proportion of receipts must be returned to Government – this is formula driven but related to the number of RTBs assumed in the original self-financing deal (e.g. if 16 sales pa were assumed, but 36 are sold, then the Council can retain the sales value of 20). For the 2 financial years, 2022-

¹ [Retained Right to Buy receipts and their use for replacement supply: guidance - GOV.UK \(www.gov.uk\)](https://www.gov.uk/guidance/retained-right-to-buy-receipts-and-their-use-for-replacement-supply)

23 and 2023-24, local authorities have been permitted to retain the share of Right to Buy receipts that has been previously returned to the Treasury. The Government is not extending this suspension of the rules beyond April 2024. If it had, further funding would have been available to purchase more homes under this scheme, with half the additional funding needing to come from additional HRA borrowing.

- e. A cap on acquisitions was introduced in 2021 – although currently relaxed for two years. This however only applies after the first 20 acquisitions. Acquisitions of new build from a local authority’s own housing company or arms-length management organisation or from regeneration projects that contribute to net supply are exempt. Acquisitions of new build from a private developer are not exempt, and count towards the cap.
 - f. Monitoring is now annual (rather than quarterly as previously).
 - g. An authority can contract with a subsidiary (for example, its arms-length management organisation) to deliver the homes, but such homes must be in the ownership of the local authority and be accounted for in its HRA. The Agreement means more than a contracted commitment to spend the resources. The works or services for which the money has been (or is about to be) paid must have actually been carried out. This follows programme management practices of Homes England.
7. The Council has used the receipts to date as set out in Appendix 1, securing access to 247 homes over this period, spending over £56m and using over £18m of receipts. The Council has not yet had to return any funding to Government and the latest budget and MTFP has set spend budgets at a level that expects to continue with this trajectory with continued commitment to maintaining this approach.
8. A Cabinet report on RRTBRs and spend was approved in January 2020. At that time, spend proposals were set out for the MTFP up to end March 2024 (since added to in further budgets and the November 2021 Cabinet report on Roken House). In November 2021, it was expected that forecast spend to the end of March 22 (end 2021/22) would have spent all RRTBRs receipts received up to the end March 2019 (end 2018/19 year).
9. Tracking of the receipts from April 2019 on (to therefore be spent by April 2024 on) has continued, but an increase in RTB sales, plus the Government changing the rules (in March 2023) to allow all receipts to be retained in 2022/23 & 2023/24), have delivered more receipts than expected. The RTB sales are as follows:

Year	2019/20	2020/21	2021/22	2022/23	2023/24
Actual RTB sales	29	20	29	39	25 est*

* RTB sales to 23rd Feb 24 were 21 (£4.65m of receipts), with 4 further sales expected to complete by end March 24 (returning a possible total of £5.5m of receipts).

10. The new budget & MTFP (which were set based on forecasts in Sept 2023) set the new spend budget for the next five years as £27m as follows:

Year	2024/25	2025/26	2026/27	2027/28	2028/29
Budget (core)	£3m	£3m	£3m	£3m	£3m
Budget (additional)	-	-	-	£12m	-

11. The following table shows expected spends annually to meet the five year spend requirement (adjusted to reflect 50% RRTBR use from April 2024 on):

Year of Receipt	Year	RRTBR Balance to spend by end of year £	Eligible spend required £	Cumulative RRTBR Balance to spend by end of year £	Cumulative Eligible Spend Required £	Expected Spend/ MPFP Budget £	Cumulative Expected Spend £	Unmet Required Expenditure £
2018/19	2023/24	166,015	415,038	166,015	415,038	6,200,000	6,200,000	
2019/20	2024/25	2,836,035	5,672,070	3,002,050	6,087,108	3,000,000	9,200,000	
2020/21	2025/26	1,353,366	2,706,732	4,355,416	8,793,840	3,000,000	12,200,000	
2021/22	2026/27	2,820,255	5,640,510	7,175,671	14,434,350	3,000,000	15,200,000	
2022/23	2027/28	6,840,481	13,680,962	14,016,152	28,115,312	15,000,000	30,200,000	
2023/24	2028/29	5,500,000	11,000,000	19,516,152	39,115,312	3,000,000	33,200,000	5,915,312
		est						
Total		19,516,152	39,115,312	19,516,152	39,115,312	33,200,000	33,200,000	5,915,312

12. The table above indicates that even with a £6.2m forecast total 'qualifying' spend in 2023/24, and then £27m of budget for the next five years (totalling £33.2m), that the eligible spend required for the level of retained receipts (expected to end March 2024) is still £5,915,312 more.

Proposals for Spend

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

Acquisition 'core' programme

14. 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.

15. It is proposed to continue this 'core' programme going forward. 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 permanent homes at Social Rent.

16. The target for this activity is to use the **£3m** per annum of funding to secure at least **12** new homes a year – with a focus on one bed homes, where housing need is most pressing, and to help relieve homelessness and temporary accommodation pressures – so **60 homes** over the five years. It should be noted that this level of activity is expected to be possible in the current market, but that there is little

capacity to secure a higher number of such homes, that are suitable, and value for money, for the Council – also recognising acquisition activity across other programmes also in this same timeframe.

17. The Council may also seek to use funding in a small number of cases to buy-back units from OCHL (of the remaining homes from the 10 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.

Acquisition ‘additional’ programme

18. The increased spend period from the time of a RTB receipt and the time of required spend, from 3 years to 5 years, allows for greater flexibility with this funding source able to be used to support development activity. RRTBR funding cannot be combined with another grant or other development subsidy, but opportunities arise where it is beneficial to use this.

19. It is proposed that flexibility could be applied by using the £12m budget (currently profiled in 27/28) to fund new build direct development. This is likely to be a mix of:

- a. New ‘advance purchase’ agreements with developers, to acquire new homes on a ‘turnkey’ basis on completion, focusing on one bed homes to rent.
- b. Funding for homes in the existing direct delivery programme (OX Place/ HRA direct delivery) replacing previous assumptions on using Homes England grant. Using RRTBRs at 50% of spend, is more advantageous to the HRA, in these cases, with less borrowing required.
- c. To bring forward additional opportunities in the direct delivery programme (as HRA direct delivery) in particular to further one bed affordable rent delivery.

20. Specifically, it is proposed that RRTBRs could be used on the following:

Scheme	Year (start & completion)	Current MTFP Budget – Housing Supply	Possible Total (Qualifying) Spend
Current Programme			
Westlands Drive 15 flats	SoS 2025/26 PC 2026/27	£6,360,000 (within the HRA OX Place purchase capital budget)	£6,360,000
Underhill Circus 12 flats (tbc)	SoS 2025/26 PC 2026/27	£3,400,000 (budget set for a scheme of 11 flats albeit larger units)	c.£3m – exc land and demolition costs
Leiden Road 6-9 flats (tbc)	SoS 2025/26 PC 2026/27	£4,059,500 (budget set on a proposed larger site for 12 homes)	c.£1.5m (based on 6 flats) – exc land and demolition costs
Sub-Total:		£13,819,500	£10,860,000
Additional Schemes			
Direct delivery scheme	SoS 2026/27	0	c.£2.6m (incl c.£500k for land purchase)

10 flats (tbc)	PC 2027/28 tbc		
Advance Purchase – two possible schemes 12 flats (tbc) x2	SoS 2025/26 PC 2026/27	0	c.£5.8m
Sub-Total:		0	£8,400,000
Total:		£13,819,500	£19,260,000

21. This would fund 67-70 affordable homes - an increase to the current programme of about **30 additional affordable rented homes**.

22. The £10,860,000 forecast spend from other existing housing supply HRA capital budget lines (not the RRTBR budget lines referenced at paragraph 10) will offset the £5,915,312 'unmet required expenditure' shown in the table at paragraph 11 in full. This supports the ambition to ensure that the full level of receipts are spent, with no need to return these to the Government with punitive interest charges as set out above. It is proposed to continue to monitor this approach through budget forecasts and predictions in the 2025/26 budget/ MTFP round, depending on confirmed receipts to year end and spend forecasts as further work is undertaken at scheme level, but a £2,959,500 saving to the current HRA capital budget is expected at present.

23. The additional expected qualifying spend of £8.4m identified in paragraph 20 above, is funded using the £12m RRTRR 'additional' budget, with a further £3.6m left to fund future acquisition projects yet to be identified.

Financial implications

24. 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, at the programme level.

25. As set out above, the budget to support this activity, is as set out in the February 2024 budget report approved by Council.

Legal issues

26. 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, and subsequent amendments.

Level of risk

27. Any risks inherent in this programme are already identified elsewhere, with actions to mitigate these detailed in the OCHL and HRA Business Plans and the Council's Medium Term Financial Plan.

28. Any slippage to the proposed programme (or lack of approval) will impact on spend and could result in interest being charged on the balances of unspent RRTBRs that may have to be returned if the Council does not spend these receipts to time. The significant deadline for this is before 2028/29 and the programme will be closely monitored and managed to mitigate this risk.

Equalities impact

29. 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 to better meet client needs.

Carbon and Environmental considerations

30. There are no direct carbon or environmental considerations in relation to the usual acquisitions activity as they are not new build homes, although they are often useful if re-assembling Council ownership in flatted schemes, where the Council is the freeholder, to help enable future planned maintenance work to take place.

31. Any new build schemes will be built to, or above, the sustainability targets as set out in the Local Plan.

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Background Papers:	None
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