1. SUMMARY

1.1 This report recommends the award of Local Authority Affordable Housing Grant to Local Space to part-fund the acquisition of a minimum of 104 homes as temporary accommodation.

2. RECOMMENDATIONS

2.1 Cabinet is recommended to approve the allocation of RtB funding allocation of up to £12m to support and extend the Local Space property acquisition programme currently in progress in Waltham Forest and neighbouring east London boroughs.

3. PROPOSALS

3.1 Cabinet agreed in June 2012 to Waltham Forest Council entering into an agreement with the Secretary of State for Communities and Local Government to retain a proportion of Right to Buy (RtB) receipts, and to use this money to fund the provision of new affordable rent homes. Cabinet also agreed to use the retained receipts to part-fund the cost of new homes delivered by the council’s registered provider (housing association) partners.

3.2 In November 2015 Cabinet agreed to delegate authority to the then Portfolio Lead Member for Housing in consultation with the Corporate Director, Housing to approve the allocation of Local Authority Affordable Housing Grant
funding to housing providers for specific schemes to part-fund the provision of affordable rented homes, and to authorise entry into legal agreements for the allocation of Local Authority Affordable Housing Grant funding. The Housing portfolio was revised in the Leader’s Report to Council on 24 May 2018, and housing strategy and new housing delivery are now part of the Economic Growth and High Streets portfolio.

3.3 The council has £17.8m scheduled to be spent in the financial years 2019-20 and 2020/21. This funding proposal, along with on-going schemes with other Registered Providers, will contribute to spending this target spends.

LOCAL SPACE PROPERTY ACQUISITIONS PROGRAMME

3.4 The Cabinet report in November 2015 delegated authority to the then Portfolio Lead Member for Housing in consultation with the Corporate Director, Housing to approve the allocation of Local Authority Affordable Housing Grant funding to housing providers for specific schemes to part-fund the provision of affordable rented homes. This gave rise to the current property acquisition programme with local registered provider (housing association) Local Space.

3.5 This programme is currently set to provide 65 units of accommodation, acquired on the open market. Following legal completion of the sale, the properties have works carried out in order to bring them up to the required lettings standard.

3.6 The programme is partly funded through Retained RtB Receipts, with £7.5m currently allocated to the scheme representing 30% of actual costs. The balance of the funding is made up by Local Space.

3.7 In return for the 30% grant funding, the council receives nomination rights to the properties.

3.8 The scheme has so far delivered 32 homes, which have recently had works to them completed and are currently being allocated to. The balance of 33 homes have now been identified and are currently in the conveyancing or refurbishment process.

PROPOSAL TO EXTEND THE LOCAL SPACE SCHEME

3.9 The requirements placed on local authorities in relation to the re-use of Retained RtB Receipts is that they must be used within a 3 year time period from when the receipt was realised. Should the receipt not be spent within that timeframe, the council must repay the receipt to the Treasury. In addition compound interest at 4% over base rate calculated over three years on top of any Retained Right to Buy Receipts must also be paid to the Treasury. The GLA has offered to retain any receipts and interest paid in this way on behalf of local authorities and Cabinet agreed to take part in this scheme in November 2018. However the GLA scheme only defers the spend but does not relax any of the restrictions which apply.

3.10 In order to avoid this repayment it is necessary to explore all possible opportunities to allocate the funding in order to provide affordable housing and not return the funds to the Treasury.

3.11 In the first phase of the receipts spending programme which began in 2016/17 the receipts have been spent on new Council Housing, Registered Provider
new build programmes, provision of new Almshouses and private sector acquisitions. It is intended to continue to pursue further opportunities with a number of partners in order to ensure that the receipts programme achieves its spending targets.

3.12 Local Space have presented a proposal to the Council to extend the scheme over the next two years and it is recommended that up to £12m additional funding is allocated to the Local Space scheme which could provide at least 104 homes for use as temporary accommodation. The additional funding allocation is based on the current average purchase price and works cost set out in the Local Space proposal.

3.13 The Local Space proposal allows for a target of 50% of the homes purchased being in Borough with the other 50% to be acquired in neighbouring East London Boroughs. The homes will be a mix of two and three bedroom properties. The Assistant Divisional Director (Housing Solutions) has confirmed that this ratio is acceptable and that all the homes purchased will assist in meeting housing need.

3.14 It should be noted that in 2018 the Government carried out a consultation on the use of Receipts from Right to Buy sales. The Consultation paper stated that in some areas acquisition may be cheaper than new build and offer better value for money or may better reflect local needs. The Government does not propose to implement a blanket ban on acquisition but is considering restricting acquisitions in order to help drive up new supply. The paper suggested that acquisitions costing over £265k in Outer London would not be allowed and if this was introduced the Local Space programme would become unviable. The Consultation closed in August 2018 and the Ministry is currently analysing the feedback on the consultation.

4 OPTIONS & ALTERNATIVES

4.1 The council could look for alternative schemes in order to use unallocated Retained Right to Buy Receipts. Council officers have been actively seeking third party schemes to take up Retained Right to Buy Receipts and there are currently a limited number of schemes being taken forward with other RPs. Officers continue to seek and negotiate on potential projects and schemes to take up uncommitted funding.

5.0 SUSTAINABLE COMMUNITY STRATEGY PRIORITIES (AND OTHER NATIONAL OR LOCAL POLICIES OR STRATEGIES)

5.1 The grant will support delivery of homes that will contribute to meeting the council’s ambitious target of 12,000 new homes of all tenures as set out in the council’s 2015 housing prospectus ‘Building for the future: Delivering Housing for Everyone in Waltham Forest’.

5.2 The homes acquired under the Local Space programme will be affordable homes. The scheme will enable Local Space to provide at least a further 104 affordable homes for rent for local households, for which local demand, as recorded on the housing register, is significantly in excess of existing and planned new supply.

5.3 The homes delivered under this programme will utilise properties openly available for sale on the open market, and their refurbishment prior to letting is
likely to improve energy efficiency through either replacement of ageing central heating boilers, or the addition of improved insulation properties.

5.4 Following completion of the sale and prior to first let, works will be undertaken to the properties in order to bring them up to an acceptable lettings standard, and to ensure all statutory safety test requirements are met.

6.0 CONSULTATION

6.1 No specific groups or individuals are impacted by this decision so no specific consultation has taken place.

7.0 IMPLICATIONS

Finance, Value for Money and Risk

7.1 The council is required to spend Retained Right to Buy Receipts within three years of the quarter in which the money was received, is only allowed to use the receipts to fund a maximum of 30% of the total cost of replacement affordable rent homes, and cannot make up any of the remaining 70% cost with any other public sector grant funding. Retained receipts not spent within three years have to be paid to the Ministry of Housing, Communities and Local Government (Treasury) with three years’ compound interest at 4% over base rate. The GLA has offered to “ring fence” these repayments but there are limitations to this proposal. As set out at 5.6 above, the Government has undertaken a consultation on the use of Right to Buy receipts which could impact on the viability of this proposal.

7.2 The council has £17.8m Retained Right to Buy Receipts to spend in 2019/20 and 2020/21 to avoid any repayment to the government. Of this an estimated £1.9m is committed to existing schemes.

7.3 The estimated cost of the Local Space scheme is £40m of which the council will fund 30% - totalling £12m - from Retained Right to Buy Receipts. This proposal may therefore account for approximately 75% of the uncommitted balance of receipts in 2019/20 and 2020/21. There is a further proposal for use of RTB receipts in relation to the proposal to purchase additional units on Marlowe Road which was approved by Cabinet in January 2019. This might require £4m of RTB receipts and if it goes ahead the scale of the Local Space scheme may need to be amended.

7.4 The property will be owned by Local Space but in return for the Council funding the Council will receive nomination rights to the property for 40 years. Initial lettings will be at local housing allowance (LHA) rates. The Council will be required to guarantee rent income rises at a minimum of 1% above the increase in LHA or 3.4% whichever is the higher. The Council will also meet the cost of voids and bad debts up to 15% of rent income.

7.5 The cost will fall on the general fund homelessness budget but will be offset by the savings to the Council because the Council will not have to find alternative accommodation with private landlords. In a full year this is estimated to result in a cost saving to the Council of £320k based on loss of £60pw on existing homelessness portfolio.
7.6 The potential risk of non-collection is estimated as a maximum of £171k in the first year. If LHA increased at a low level, say 1% per year, the additional rent cost would reduce the net saving to zero in year 13 with the maximum non-collection cost and year 18 if there were no non-collection cost. To mitigate this risk the Council could seek to negotiate to remove some or all of the properties from the agreement and surrender its nomination rights. However it is also possible that temporary accommodation costs will increase in which case the savings from this scheme will be greater.

Local Space is a Registered Provider of Social Housing and subject to regulation by the Homes England, as the recipient of a significant amount of public subsidy as a GLA Investment Partner.

LEGAL

7.7 Waltham Forest Council signed an agreement under Section 11(6) of the Local Government Act 2003 with the Secretary of State for Communities and Local Government (DCLG) in 2012 to retain the allowed proportion of Right to Buy (RTB) receipts and to use this money to fund the provision of new homes.

7.8 Under Section 24 and 25 of the Local Government Act 1988 (as amended), local authorities have the power to provide any person with financial assistance for the purposes of, or in connection with, the acquisition, construction, conversion, rehabilitation, improvement, maintenance or management (whether by that person or by another) of any property which is or is intended to be privately let as housing accommodation subject to Secretary of State’s consent.

7.9 The Secretary of State has provided general consent to the use of this power under “the general consent under section 25 of the Local Government Act 1988 for financial assistance to any person 2010” for purposes under section 24(1) which are set out in paragraph 7.2.2 above.

7.10 A Grant Funding and Delivery Agreement has been entered into between the council and Local Space to secure delivery of the homes under this programme. Under this agreement Local Space provide the Council with nomination rights to the homes acquired. This agreement will be amended accordingly to reflect the extension of the programme. The agreement will also need to be reviewed to ensure the interests of the Council are protected should the regulations regarding the use of Right to Buy Receipts are altered as set out in paragraph 5.6.

7.11 Under the scheme Local Space provide the details of the properties to be acquired to the council so that the council’s housing, property and legal professionals can confirm that the acquisition should proceed in each case. Local Space then purchase the properties and refurbish accordingly.

EQUALITIES AND DIVERSITY

7.12 The provision of affordable rented homes with Local Authority Affordable Housing Grant will not have an adverse impact on Equalities and Diversity. The homes will be let through the council’s housing allocation scheme.
7.13 The homes delivered under this programme will be sourced from the open property market, and will be from within the existing housing stock.

7.14 Minor works will be undertaken to each property following completion of the purchase in order to bring the property up to an acceptable lettings standard. It is possible these works will include the replacement of ageing central heating boilers, improvements to property insulation properties, or upgrades to home security through the provision of replacement locks to doors and windows etc.

**COUNCIL INFRASTRUCTURE**

7.15 There will be no impact on the council infrastructure as a result of the recommendations in this report. Administration of the Local Authority Affordable Housing Grant will be undertaken by existing staff.

**BREXIT**

7.16 The United Kingdom's exit from the European Union, scheduled for the 29/03/19 will have no currently identifiable implications for this decision. Speculation regarding the impact of Brexit on property values has been reported in the media and if property prices do either rise or fall, the programme may have to be adjusted accordingly.

**BACKGROUND INFORMATION (as defined by Local Government (Access to Information) Act 1985)**

There are no background papers for this report which require listing.