



To: Executive Councillor for Housing (and Deputy Leader): Councillor Catherine Smart
Report by: Julia Hovells, Business Manager / Principal Accountant
Relevant scrutiny committee: Community Services Scrutiny Committee 13/6/2013
Wards affected: All Wards

HOUSING REVENUE ACCOUNT (HRA) ACQUISITION & DISPOSAL POLICY AND PROCESS
Key Decision

1. Executive Summary

- 1.1 Changes in funding for the Housing Revenue Account from April 2012 when Self-Financing was introduced, were shortly followed by significant changes in the legislation surrounding the right to buy process, and ownership of the resulting capital receipts.
- 1.2 This report sets out a policy in respect of strategically acquiring and disposing of HRA assets in response to these changes, to ensure that the authority makes best use of available capital resource, whilst maintaining a balanced and sustainable Housing Revenue Account.

2. Recommendations

The Executive Councillor is recommended:

- 2.1 To approve the Housing Revenue Account Acquisition & Disposal Policy and Process documents, attached at Appendices A and B to this report.

3. Background

- 3.1 The introduction of Self-Financing for the Housing Revenue Account from April 2012, allows the flexibility for local authorities to increase the supply of affordable housing, borrowing where they are able (up to a prescribed 'borrowing cap'), without the previous constraints of pooling rents collected as part of the national subsidy system.

- 3.2 Increasing the provision of new affordable housing can be achieved either by direct investment in purpose built new build housing or through strategic acquisition, either on the open market or through buy-back opportunities.
- 3.3 From April 2012, the government introduced legislative changes to reinvigorate the right to buy process, increasing the maximum discount from £34,000 to £75,000. At the same time (but introduced retrospectively), the rules around pooling the capital receipt resulting from right to buy and other capital sales were amended.
- 3.3 The authority signed an agreement with Communities and Local Government that allows a proportion of the capital receipts from right to buy sales to be retained locally, on the condition that the receipt is used to fund a maximum of 30% of delivering a new social housing dwelling. This can be achieved by either new build, or acquisition of an open market dwelling for use as social housing. The balance of funding (70%) must be met through the HRA's own resources or through borrowing, where there is borrowing headroom available.
- 3.4 If the capital receipt retained at the end of each quarter has not been used to deliver a lettable dwelling by the end of a 3 year period, it must be returned to Communities and Local Government with accrued compound interest at 4% above the base rate. The rate of interest payable is far higher than the authority could hope to achieve in investing it during the 3-year period.
- 3.5 It is therefore imperative that the authority is able to respond quickly to invest the resource available, subject to having access to the 70% top-up funding, or to pay over the receipt to Communities and Local Government at the point of receipt, so as not to incur unnecessary interest payments.
- 3.6 To ensure delivery of a sustainable Housing Revenue Account over the longer term, it is also vitally important to make the best use of existing assets.
- 3.7 There are opportunities to consider the strategic disposal of an asset if the business case indicates that the asset is making a negative contribution to the finances of the HRA, or if the value of the asset might allow delivery of more than one new build asset in its place.
- 3.8 The attached HRA Acquisition & Disposal Policy identifies the criteria under which buying and selling HRA assets should be considered, and the proposed process ensures that the authority can respond

quickly enough to demand for either. Varieties of mechanisms are, or will be, in place to aid the identification of properties / assets for consideration.

3.9 The policy provides the flexibility to assist the authority in re-balancing the supply of available social housing in the city, responding quickly to changing demands.

3.10 The key acquisition criteria include in the proposed policy are:

- A property which has had, or is particularly suitable for, significant disabled adaptations which would meet the needs of an identified applicant with disabilities.
- A property which is in disrepair, causing concerns in the locality, and where works undertaken to allow letting would improve not only the dwelling, but also the surrounding area.
- A property in specific demand at any time – i.e.; larger properties (four or more bedrooms) suitable for larger households, one-bedroom dwellings suitable for downsizing.
- An existing market unit on one of the new build development sites, where this could increase the balance of affordable housing provision on the site.
- Leasehold flats, where the Council is the freeholder, reducing the risk to the HRA, for example in the identification and subsequent collection of Section 20 charges.
- A property in a specific location that could free up land or access to land, or otherwise facilitate affordable housing development.
- A property where the location lends itself to ease of housing management and maintenance, which could be outside of the city boundary.
- Any other property, where for whatever reason, it may be in the Council's interests to repurchase and value for money can be clearly demonstrated.

3.11 The key disposal criteria included in the proposed policy are:

- A property / asset where the business case indicates a negative contribution to the business plan, with anticipated costs of

managing, maintaining and improving to the required standard, are expected to outweigh the rental stream realisable.

- A property where the location detracts from ease of housing management and maintenance activity.
- A property where the build type detracts from ease of housing maintenance.

4. Implications

a) Financial Implications

The financial implications, and the resulting impact on the Housing Revenue Account Business Plan, of each acquisition or disposal will be individually considered as part of the process of proposing them for approval.

(b) Staffing Implications

There are no direct staffing implications associated with this report.

(c) Equal Opportunities Implications

This policy is directly related to the 30-Year HRA Business Plan and Asset Management Plan, for which an Equalities Impact Assessment was carried out.

The policy relates to the acquisition or disposal of individual assets, where the equalities impact of each sale or purchase will need to be considered as part of the decision making process.

(d) Environmental Implications

There are no direct environmental implications as a result of this report. Any environmental impact of an acquisition or disposal will be considered at the point of decision.

(e) Procurement

There are no direct procurement implications associated with this report at present, with the work associated with acquiring or disposing of an asset being carried out predominantly in-house. If the volume of transactions is significant, it may be necessary to consider externalising aspects of the workload, such as legal and valuation activity.

(f) Consultation and communication

This policy seeks to assist the authority in maximising the amount of affordable housing available in the city, either by acquisition or disposal to fund new build. This was one of the key priorities identified in the Tenants and Leaseholders Star Survey in 2012, and is a key theme in the HRA Business Plan and Asset Management Plan.

(g) Community Safety

There are no direct community safety implications as a result of this report. There may, however, be community safety implications which are a factor in the decision to acquire or dispose of a particular asset.

5. Background Papers

These background papers were used in the preparation of this report:

- Housing Revenue Account (HRA) 30-Year Business Plan
- Housing Revenue Account (HRA) Asset Management Plan

6. Appendices

The following appendices accompany this report:

- Housing Revenue Account (HRA) Acquisition & Disposal Policy
- Housing Revenue Account (HRA) Acquisition & Disposal Process

7. Inspection of Papers

To inspect the background papers or if you have a query on the report please contact:

Author's Name: Julia Hovells
Author's Phone Number: 01223 - 457822
Author's Email: julia.hovells@cambridge.gov.uk