

TUESDAY, 21 JULY 2020

### REPORT OF THE PORTFOLIO HOLDER FOR ASSETS AND FINANCE

#### RE-PROFILING OF HOUSING REVENUE ACCOUNT CAPITAL BUDGETS TO ALLOW FOR THE ACQUISITION OF HOUSING PROPERTY.

#### EXEMPT INFORMATION

Not Exempt

#### PURPOSE

This report sets out proposals and seeks approval to re-profile the Housing Revenue Account Capital Budgets, provisionally approved by Council on 25<sup>th</sup> February 2020, by bringing monies forward from with the current five-year programme to allow for the funding of property acquisitions and to take advantage of opportunities relating to the purchase of new-build property or other property that may be of interest to the Council under the current housing acquisitions policy.

In particular there is an opportunity to work with a Community Interest Company (Cornerstone) to acquire some newly refurbished and new build properties in the former Wilnecote Youth Club property.

The report further seeks to vire monies from the Housing Revenue Account Capital programme to fund the updating of the Council's Asset Management Strategy.

#### RECOMMENDATIONS

It is recommended that Council approves:-

1. The re-profiling of a total of £6,000,000 from years 2,3,4 & 5 of the five-year Housing Revenue Account capital budget into 2020/21 to allow for the acquisition of housing property [£1,500,000 from each year from CR7005 Regeneration & Affordable Housing ].
2. The Freehold acquisition of the newly refurbished and new-build units from Cornerstone at the former Wilnecote Youth Club site for the sum of £5,000,000 [inclusive of 10% contingency] subject to the appropriate planning consents. The remaining £1,000,000 will be used for general acquisitions and growth of the housing property portfolio. Subject to planning consent being granted it is anticipated that works will commence in 2020/21 and be completed in 2021/22.
3. Authority is delegated to the Assistant Director of Assets in consultation with the Assistant Directors of Finance, Neighbourhoods, & Partnerships and Portfolio for Assets and Finance to acquire other housing properties in accordance with the current housing acquisitions policy.
4. The virement of £54,000 from CR2001 Structural Works & £54,000 from CR2007 Neighbourhood Regeneration to fund the Housing Revenue Account element of the Asset Management Strategy Review with a reduction in the General Fund budget CH2858 Asset Management Database of £102,000.

#### EXECUTIVE SUMMARY

**Key to delivery of the Council's strategic priorities is meeting housing need through a variety of approaches and interventions. Successful property acquisition supports this, as well as enables a commercial approach to sustaining growth and promoting economic prosperity also a key corporate ambition.**

The Council currently has provisional capital budget identified within the five-year Housing Revenue Account Business plan to allow for a growth in the housing property portfolio through either acquisition or through house building. There is an ongoing need to increase the housing property portfolio to maintain income streams and to service the housing needs within Tamworth. There is also a requirement for the Council to spend its 1-4-1 capital receipts raised from the sale of Council Housing through the Right to Buy process; failure to spend this money within a defined timescale results in the Council having to repay those capital receipts with interest. It is therefore in the interest of the Council to ensure that all 1-4-1 Right to Buy receipts are spent.

There is currently a housing acquisitions policy in place that allows the Council to acquire properties on the open market or to work with developers to acquire affordable properties required under planning policy. The programme of acquisitions has proven to be successful but there is a need to maintain high levels of acquisitions if we are to avoid making any repayments. Given the COVID19 interruptions to the housing market it is even more important that commercial negotiations and decisions can be taken quickly to maximise opportunities supporting the delegations recommended.

The current provisional budget allocations are sufficient to ensure that there will be no need to make repayments of 1-4-1 Right to Buy monies, however they do not allow the Council the flexibility to work with developers to acquire new build property that may be in the pipeline; the current budget process also makes it difficult for the Council to react quickly to opportunities that may be presented from time to time but that require a commitment more quickly than our normal budget setting process would allow.

It is therefore proposed that monies from years 2,3, 4 and 5 of the current provisional five-year programme be re-profiled to the 2020/21 programme, this will allow us to respond quickly to opportunities but in particular will allow us to acquire units within a specific project that has been identified.

By accelerating programmes to take up the spend of 1-4-1 Right to Buy capital receipts it eases the pressure to spend in future years and makes it less likely that there will need to be any repayment.

#### Former Wilnecote Youth Club

Cornerstone is a Community Interest Company who have been working up some proposals for the provision of houses and apartments within and on the site of the former Wilnecote youth club. Cornerstone are working with Staffordshire County Council to acquire the Freehold interest in the site; they will develop the site providing 14 refurbished apartments, 8 new build apartments and 4x2bed new build houses. If this report is approved it would allow the Council to enter into agreement with Cornerstone to purchase the finished homes prior to the construction phase. Upon completion the Council would acquire the Freehold interest in all of the units and as Cornerstone are a CIC the units would be acquired at cost price. By engaging early in this project the Council would have an input into the design and specification of the units which would result in properties more suited to our needs. The project has been through the financial model we use for housing acquisitions and the scheme shows an overall return on investment and is therefore something that we would normally consider acquiring.

This particular project will provide a mixture of housing opportunities in line with our current requirements and at the same time brings an old building back into use supporting the wider regeneration of the area.

It should be noted that at the time of writing this report Planning Consent is not in place for this development so there is a risk that the project may not proceed.

### s106 Opportunities

In addition to the specific project mentioned above and the normal programme of acquisitions of homes available on the open market we are approached from time to time by developers who need to meet their affordable housing provisions. Where properties are already built and ready for sale we have been able to acquire through our normal acquisitions programme however where developments are at an early stage it is difficult for the Council to commit to acquiring units due to the time of expenditure. If approved this bringing forward of budgets would allow the Council to work with developers on acquisitions that may be further down the line without impact on the more immediate need to acquire property in order to avoid the repayment of 1-4-1 Right to Buy receipts.

### Development Opportunities

In bringing capital monies forward the Council may be able to take advantage of any small-scale in-house development opportunities that may present themselves from time to time. Whilst there will generally be more control over the timing of such projects they may present an opportunity to avoid repaying 1-4-1 Right to Buy receipts should the other options for spending these funds dry up.

### Open Market Acquisitions

The Council has already had success with acquiring properties on the open market and since the acquisitions policy was approved has purchased 70 properties increasing the Council's property portfolio. These opportunities are assessed and where suitability and financial viability supports acquisitions will continue.

### Asset Management Strategy Review

There is an allocation of £150,000 in the 2020/21 budgets to fund a review of the Council's Asset Management Strategy. In the current budget this project sits entirely within the General Fund Budgets however an element of this work will relate to the Council's housing property portfolio and as such should be funded from the Housing Revenue Account Capital allocation. It proposed that £54,000 be vired from CR2001 Structural Works & £54,000 from CR2007 Neighbourhood Regeneration to fund the housing element of this project. The General Fund element of this project will be reduced by £102,000. The split has been calculated on the basis of 70% HRA and 30% General Fund recognising that whilst there are more properties in the HRA many of these will be of similar archetypes with more cloned data whereas the non-housing properties are going to be more detailed and will generally be unique in nature.

## **OPTIONS CONSIDERED**

### Maintain existing programme of spend

Rather than bring monies forward that allow us to take advantage of opportunities as they arise we could continue with our current programme of spend and rely on the purchase of property on the open market to spend our 1-4-1 Right to Buy receipts. This approach limits our ability to engage with developers and there is a risk that if the housing market stalls we would be left without a sufficient pool of property from which to acquire ultimately resulting in a repayment of 1-4-1 Right to Buy receipts.

### Repayment of 1-4-1 Right to Buy receipts

The Council could cease its acquisitions programme completely and accept that there would be a need to repay 1-4-1 Right to Buy receipts.

## Develop rather than Acquire

The Council could seek to engage in a development programme in order to spend its 1-4-1 Right to Buy receipts. There would need to be a carefully controlled project timetable to deliver this and there would need to be considerable additional resource allocated to project management of any development projects.

### **RESOURCE IMPLICATIONS**

No additional staffing resources would be needed to deal with the acquisition of property. Should in-house development be considered at any point the cost of resources required to deliver the project would be capitalised against the project.

It is proposed that a total of £6,000,000 is re-profiled from years 2,3,4 and 5 of the current provisional HRA capital programme (CR7005 Regeneration & Affordable Housing). £5,000,000 [inclusive of 10% contingency] of this will be spent on the acquisition of property. All property considered for acquisition will be subjected to financial modelling and only those properties that show a return on investment will be considered suitable for acquisition in line with the current acquisitions policy. The remaining £1,000,000 will be used for the acquisition of other properties including new build to support the growth of the housing property portfolio.

Failure to spend the required levels of 1-4-1 Right to Buy receipts will result in a repayment of receipts plus interest.

It is anticipated that work on the Wilnecote site will commence in 2020/21 and be completed in 2021/22 subject to planning consent being granted. The anticipated spend in year and sums for re-profiling will need to be considered once a detailed programme of works is available.

### **LEGAL/RISK IMPLICATIONS BACKGROUND**

#### Failure to spend

There is a risk that despite re-profiling budgets some may not be spent within year. There may be a need from time to time to re-profile some of the money brought forward, the key consideration however will be to ensure that there is no repayment of 1-4-1 Right to Buy capital receipts.

#### Repayment of Right to Buy Receipts

Failure to spend sufficient on property acquisition or re-provision will result in the Council having to repay some or all of the current 1-4-1 Right to Buy capital receipts. Using a combination of traditional acquisitions, purchase of new build and working with developers will help to ensure that sufficient monies are spent. By accelerating the spend it will reduce pressures in future years.

#### Failure to Deliver

There is a risk that projects fail to deliver the required levels of spend; by diversifying the types of projects and by considering a wider range of opportunities as they arise it will help to ensure that there are sufficient projects and acquisitions in place to take up the required levels of 1-4-1 Right to Buy receipt spend.

#### Wilnecote Youth Club

At the time of writing this report planning consent is not in place for this project. Final costings for the project are still to be agreed. There remains a risk that the project will not go ahead.

## **EQUALITIES IMPLICATIONS**

This report relates to the re-profiling of budgets and to the acquisition of housing property. No specific equalities issues have been identified arising from this report.

## **SUSTAINABILITY IMPLICATIONS**

All potential acquisitions will be run through a financial model and only those that demonstrate a return on investment will be considered for purchase.

Where possible efforts will be made to encourage the use renewable energy.

## **BACKGROUND INFORMATION**

### **REPORT AUTHOR**

Paul Weston, Assistant Director Assets

## **LIST OF BACKGROUND PAPERS**

## **APPENDICES**

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