



City of Westminster

Cabinet Member Report

Meeting or Decision Maker:	Cabinet Member for Housing Services Cabinet Member for Finance and Council Reform
Date:	27 July 2022
Classification:	Part Exempt
Title:	Funding for Purchases Under the Right to Buy, Buy Back Programme
Wards Affected:	Property purchases will occur in multiple wards
Policy Context:	This programme will increase the delivery of affordable housing and will secure 17 social rented homes for households in housing need
Key Decision:	This report is key as it significantly impacts two or more wards.
Financial Summary:	The total funding for the programme is £8.8m, which includes £1.7m of GLA grant and £7.1m of HRA capital funding.
Report of:	Executive Director of Growth, Planning and Housing

1. Executive Summary

- 1.1 The Council has successfully bid for GLA grant of £1.7m under the Right to Buy Back (RTBB) programme towards to delivery of 17 x 2bed, 3bed and 4bed homes secured on the open market and to be provided as social rented housing.
- 1.2 The Council has completed the purchase of 16 of the 17 homes and the total delivery costs for all 17 homes is anticipated to be in the region of £8.8m. Total costs include acquisition, works and on costs. Securing GLA grant of £1.7m (£100k per unit) towards these delivery costs means the Council's contribution towards these costs will be c.£7.1m
- 1.3 The 17 homes acquired will be held in the HRA and the Council's contribution to fund the acquisitions will be provided through the HRA. The HRA funding for these acquisitions is allocated within the HRA Business Plan under the Self-Financing scheme (on the HRA capital programme).
- 1.4 GLA grant can be claimed on each property once purchase completion has been achieved. However, the GLA require the council to enter a single legal agreement covering the total grant allocation before any grant can be claimed.
- 1.5 Qualifying bids under the GLA RTBB programme covers those acquisitions that achieve purchase completion prior to 1 April 2023. An additional bid to the GLA under the RTBB programme is currently being modelled and these proposals will be reported to Cabinet Members in a separate paper.

2. Recommendations

That the Cabinet Member for Housing Services and the Cabinet Member for Finance and Council Reform:

- 2.1 Approves the Council entering a grant funding agreement with the GLA to secure capital grant funding of £1.7m towards the delivery of 17 social rented homes under the Right to Buy Back (RTBB) programme.
- 2.2 The availability of capital funding for this programme including the council's own funding of £7.1m as set out in this report is noted

3. Reasons for Decision

- 3.1 Funding from the GLA supports WCC's strategic approach to deliver additional affordable homes in the city, including social rented homes.

- 3.2 The homes delivered under this programme will be provided as social rent tenancies and will be made available to either existing council tenants who have priority for a transfer or to homeless households.
- 3.3 Capital funding provided will increase the number of homes that can be purchased for those households in social housing need.

4. Background, including Policy Context

- 4.1 In Summer 2021/22 the Mayor of London launched a new Right to Buy-back (RTBB) fund to help increase the stock of council-owned housing and to mitigate the historic impact of the Right to Buy policy on London's affordable housing.
- 4.2 The GLA has made funding available for affordable housing tenures, but specifically encouraged and expects to allocate the majority of grant under this fund to bids for acquisitions that will be let at social rent levels or accommodation within Affordable Rent levels or Local Housing Allowance rates (whichever is lower) for households who are homeless or at risk of homelessness and in housing need.
- 4.3 The RTBB fund forms part of the Affordable Homes Programme 2016-2023, which includes the Building Council Homes for Londoners programme. Bids must align with the parameters set out in the Building Council Homes for Londoners Funding Prospectus. Where bids meet the terms of other GLA programmes, the GLA will have the discretion to direct bids accordingly (in consultation with the relevant borough).
- 4.4 The GLA is prioritising bids that can fund acquisitions at the following standard grant rates:
 - for social rent, up to £100k per home
 - for accommodation for homeless households, up to £65k per home.

Grant rates proposed for each project will be subject to assessment for each project to ensure compliance with subsidy control rules. The GLA will pay 100 per cent of grant for acquisitions under this fund once the acquisition has completed and the grant recipient has confirmed on the GLA Open Project System (OPS) that the relevant land acquisition milestone has been achieved.

- 4.5 Acquisitions funded through the Right to Buy-Back fund must be complete before the end of March 2023 and only capital funding is available to support the acquisition costs of these homes. When submitting bids, bidders must commit that the acquisitions funded through the Right to Buy-Back fund are in a fit condition (subject to ongoing repairs and maintenance) to be occupied for the agreed purpose for at

least a further 30 years and do not form part of any known or anticipated plans for demolition within that timeframe.

- 4.6 Bidders must commit that the acquisitions funded through the Right to Buy-Back fund will meet the Decent Homes Standard. Accommodation for homeless households acquired through the Right to Buy-back fund must be self-contained and in line with standard contractual requirements for rental tenures under the Building Council Homes for Londoners programme, for which the landlord must acquire either a freehold interest or a lease with a minimum of 60 years unexpired duration. Rents must be set in accordance with national rent setting policies for social and affordable rents, as relevant. Homes acquired through this fund must be within the borough boundary.
- 4.7 Successful bidders will need to enter a standard form contract with the GLA to secure affordable housing grant through this fund. Where appropriate existing contracts, such as Building Council Homes for Londoners grant agreements, will be used. Contracts may vary if necessary, to accommodate the structure of a project, but will retain the key provisions of the GLA's standard form contracts.
- 4.8 The City Council submitted a successful bid under RTBB in 2021/2022 for 17 social rent homes and secured the maximum grant rate of £100k per unit. Details of the number of homes forming this bid are in Appendix A.
- 4.9 The HRA will be required to fund the balance of the delivery costs not funded by GLA grant. This totals £7.1m and is allocated as part of the HRA Business Plan and ringfenced towards the acquisition of properties for social rented use (under the Self-Financing capital scheme).
- 4.10 A professionally qualified valuer will be appointed to advise on the appropriateness of the negotiated price and confirm best value prior to exchange of contracts.
- 4.11 The mix of dwelling sizes secured broadly reflects the Council's primary social housing need that is for 2bed and larger sized homes.
- 4.12 These homes will be let as part of the council's adopted allocations scheme.
- 4.13 Homes are being delivered across a range of locations including the north and south of the city. The majority of homes secured (15) are those where the council already owns the freehold.
- 4.14 As set out in 4.7 the Council is required to enter a standard form of contract with the GLA to draw down grant that it has been allocated.

4.15 Officers are currently modelling an additional RTBB bid to the GLA for additional acquisitions under this programme and these proposals will be reported to the Cabinet Member in a separate paper.

5. Financial Implications

5.1 The financial viability of potential purchases has been examined in various locations. The model has the following assumptions:

- Rents are set in line with current WCC social rent levels. Rent formula caps for 2 bed, 3 bed and 4 bed social rent homes are currently £157.62, £166.38, and £175.12 per week respectively. Annual rent increases will be limited to the prevailing policy statement for social rents published by the government (which currently limits rent increases to CPI+1% until 2025/26).
- Refurbishment costs may vary widely according to the condition of the property and are estimated by a surveyor before completion of any purchase.
- Stamp Duty Land Tax will be payable on each transaction
- The sum of £45 per week per property (£2,340 per annum) is assumed for management and £23 (£1,196 per annum) for maintenance and minor repairs.
- A further £29 (£1,508 per annum) per property per week is included as part of a sinking fund to fund future major works. These costs are rolled into the annual HRA revenue budget (where economies of scale may be achieved) and effectively funded by the rent.

5.2 The total costs of delivering these 17 homes are estimated to be £8.82m. However, with the provision of £1.7m in grant being provided by the GLA, the net cost to the Council is £7.12m (or £419k per unit).

5.3 The Council's contribution towards the delivery costs of this programme are accounted for within the HRA Business Plan (and as part of the approved HRA capital programme).

5.4 Each individual property purchase will be approved by the Director of Housing based on an analysis using the above assumptions. Officers will seek to purchase units at the lowest capital cost achievable.

6. Legal Implications

- 6.1 The recommendation under this report is to approve funding of £1.7 million from the GLA towards the delivery of 17 social rented homes under the Right to Buy Back (RTBB) programme.
- 6.2 The Council can enter into the grant funding agreement using its general powers of competence under section 1 of the Localism Act 2011 subject to sections 2 - 4, in that, it is permitted to do anything that individuals generally may do. Such powers are conferred to be exercised in any way whatsoever, which include the power to do it for, or otherwise than for, the benefit of the authority, its area, or persons resident or present in its area.
- 6.3 The Council has a Best Value Duty under the Local Government Acts to ensure that it pays no more than market value for the acquisition of these properties and operates the scheme efficiently.
- 6.4 Under section 120 Local Government Act 1972 the Council has a general power to acquire property by agreement. A local authority may also purchase properties for housing the homeless under section 17 Housing Act 1985.
- 6.5 Application for and acceptance of the grant from the GLA as recommended complies with the Council's powers under s1(1) of the Localism Act 2011 and applying the grant in the manner recommended satisfies the Council's Best Value Duty in respect of its housing obligations.
- 6.6 The GLA grant agreement is required to be sealed by the Council and Legal Services can organise such sealing once approval to proceed is accorded by the relevant Cabinet Member.

7. Carbon Impact

- 7.1 Under these purchase proposals, works to bring properties back into use as social housing will include improvement works that will achieve a minimum SAP rating of EPC B for properties where Westminster is already the freeholder (15 properties) and minimum EPC C rating for properties where Westminster will be the leaseholder (2 properties).
- 7.2 Works to achieve higher SAP ratings will include Waste Water Heat Recovery (WWHRS), improved insulation and double glazing where already not in place.
- 7.3 These purchases and improvement works will therefore contribute to the Carbon reduction strategy of the council

8. Equalities Impact

- 8.1 The purchase of these properties will provide additional social rented supply and positively impact on those households the council has a statutory duty to.
- 8.2 The mix of dwelling sizes being secured: 9x 2beds (53%), 6x 3bed (35%) and 2x 4beds (12%) broadly reflects the primary size of homes needed to address the council's current social need that is overwhelmingly for 2bed and larger sized homes.
- 8.3 The table below demonstrates that of the 4,019 households currently on the housing register, the size of homes required are 303(13%) studios, 333 (8%) 1beds, 1,516 (38%) 2beds, 1,263 (31%) 3beds and 386(10%) are 4beds+

Applicants Registered as at 25.07.22 by bed size required	Studio	1-Bed	2-Bed	3-Bed	4+ Bed	Total
Number of households	521	333	1516	1263	386	4019

9. Consultation

No Ward Members consultation has been undertaken as these properties are being purchased are in multiple wards.

If you have any queries about this Report or wish to inspect any of the Background Papers, please contact:

Fergus Coleman

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APPENDICES

Appendix A: Details of the Number of Homes Forming the RTBB Bid

Appendix B: Model GLA Negotiated Grant Contract

NB: For individual Cabinet Member reports only

For completion by the **Cabinet Member** for Housing Services

Declaration of Interest

I have <no interest to declare / to declare an interest> in respect of this report

Signed: _____ Date: _____

NAME: **Liza Begum**

State nature of interest if any:

(N.B: If you have an interest, you should seek advice as to whether it is appropriate to make a decision in relation to this matter)

For the reasons set out above, I agree the recommendation(s) in the report entitled **Funding for Purchases Under the Right to Buy, Buy Back Programme** and reject any alternative options which are referred to but not recommended.

Signed: _____

Cabinet Member for Housing Services

Date: _____

If you have any additional comment which you would want actioned in connection with your decision you should discuss this with the report author and then set out your comment below before the report and this pro-forma is returned to the Secretariat for processing.

Additional comment:

If you do not wish to approve the recommendations, or wish to make an alternative decision, it is important that you consult the report author, the Director of Law, City Treasurer and, if there are resources implications, the Director of People Services (or their representatives) so that (1) you can be made aware of any further relevant considerations that you should take into account before making the decision and (2) your reasons for the decision can be properly identified and recorded, as required by law.

Note to Cabinet Member: Your decision will now be published and copied to the Members of the relevant Policy & Scrutiny Committee. If the decision falls within the criteria for call-in, it will not be implemented until five working days have elapsed from publication to allow the Policy and Scrutiny Committee to decide whether it wishes to call the matter in.

For completion by the **Cabinet Member** for Finance and Council Reform

Declaration of Interest

I have <no interest to declare / to declare an interest> in respect of this report

Signed:

Date:

NAME: David Boothroyd

State nature of interest if any:

(N.B: If you have an interest, you should seek advice as to whether it is appropriate to make a decision in relation to this matter)

For the reasons set out above, I agree the recommendation(s) in the report entitled **Funding for Purchases Under the Right to Buy, Buy Back Programme** and reject any alternative options which are referred to but not recommended.

Signed:

Cabinet Member for Finance & Council Reform

Date:

If you have any additional comment which you would want actioned in connection with your decision you should discuss this with the report author and then set out your comment below before the report and this pro-forma is returned to the Secretariat for processing.

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Signed: _____ Date: _____

NAME: **[add Cabinet Member's name]**

State nature of interest if any:

(N.B: If you have an interest, you should seek advice as to whether it is appropriate to make a decision in relation to this matter)

For the reasons set out above, I agree the recommendation(s) in the report entitled

INSERT REPORT TITLE and reject any alternative options which are referred to but not recommended.

Signed: _____

Cabinet Member for **(add portfolio title)**

Date: _____

If you have any additional comment which you would want actioned in connection with your decision you should discuss this with the report author and then set out your comment below before the report and this pro-forma is returned to the Secretariat for processing.

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