



## **THE RUGBY BOROUGH COUNCIL**

You are hereby summoned to attend an ORDINARY MEETING of the Rugby Borough Council, which will be held at the TOWN HALL, RUGBY, on Tuesday 14 November 2017 at 7pm.

### **A G E N D A**

#### **PART 1 – PUBLIC BUSINESS**

1. Apologies for absence.
2. To approve the minutes of the Special Meeting of Council held on 28<sup>th</sup> September 2017.
3. Declaration of Interests.  
  
To receive declarations of -  
  
(a) non-pecuniary interests as defined by the Council's Code of Conduct for Councillors;  
  
(b) pecuniary interests as defined by the Council's Code of Conduct for Councillors; and  
  
(c) notice under Section 106 Local Government Finance Act 1992 – non-payment of Community Charge or Council Tax.
4. To receive the Mayor's Announcements.
5. Questions pursuant to Standing Order 10.

6. To receive any reports of Cabinet and Committees which have met since the last meeting of the Council and to pass such resolutions and to make such orders thereon as may be necessary:

**(a) Cabinet – 30 October 2017**

(1) One-off community grants 2018/19 – Communities and Homes Portfolio Holder.

7. To receive and consider the Reports of Officers
  - (a) Housing Revenue Account (HRA) and Housing General Fund Acquisition and Disposal Policy and Process – report of the Head of Corporate Resources and Chief Financial Officer.
8. Correspondence.
9. Common Seal

To order the affixing of the Common Seal to the various orders, deeds and documents to be made or entered into for carrying into effect the several decisions, matters and things approved by the Council and more particularly set out in the Committees' Reports adopted at this meeting.

10. Motion to Exclude the Public under Section 100(A)(4) of the Local Government Act 1972

To consider the following resolution:-

“under Section 100(A)(4) of the Local Government Act 1972 the public be excluded from the meeting for the following item on the grounds that it involves the likely disclosure of information defined in paragraph 3 of Schedule 12A of the Act.”

**PART 2 – EXEMPT INFORMATION**

1. To receive and consider any private Reports of Officers.
  - (a) Acquisition of new Council Homes for rent – private joint report of the Head of Communities and Homes and the Head of Corporate Resources.

DATED THIS 2<sup>nd</sup> day of November 2017

**Executive Director**

To: The Mayor and Members of Rugby Borough Council

## **QUESTIONS AT COUNCIL**

*A Councillor may ask a Question at the meeting by giving notice in writing of the Question to the Executive Director no later than midday on Wednesday 8<sup>th</sup> November 2017. The rules relating to Questions are set out in Standing Order 10 of Part 3a of the Constitution.*

**REPORT OF CABINET**

**30 October 2017**

**PRESENT:**

Councillors Stokes (Chairman), Mrs Crane, Ms Robbins and Mrs Timms

Councillors Ms Edwards, Roodhouse and Sandison were also in attendance.

**1. ONE-OFF COMMUNITY GRANTS 2018/19**

Cabinet considered a report concerning one-off community grants for 2018/19. The report was circulated as part of the Cabinet agenda and all Members are requested to bring their copies to the meeting. A copy of the report will be attached as part of the electronic version of this agenda on the Council's website.

**Recommendation of Cabinet**

Cabinet decided to recommend to Council that -

(1) the proposals related to the Council's one-off grant funds, as identified in table 2, be endorsed for implementation in 2018/19, subject to budget setting; and

(2) the changes to criteria, as outlined in section 3 of the report, be approved.

**Recommended that –**

(1) the proposals related to the Council's one-off grant funds, as identified in table 2 of the Cabinet report dated 30 October 2017, be endorsed for implementation in 2018/19, subject to budget setting; and

(2) the changes to criteria, as outlined in section 3 of the report, be approved.

**COUNCILLOR M STOKES  
CHAIRMAN**

Council – 14<sup>th</sup> November 2017

**Report of the Head of Corporate Resources and Chief Financial Officer  
Housing Revenue Account (HRA) and Housing General Fund Acquisition &  
Disposal Policy and Process**

1. Executive Summary

In February 2014 Council adopted an acquisitions strategy for council housing which outlined a proposed approach to acquire land and properties to increase the council's housing stock. The proposals detailed the due diligence and authorisation framework under which acquisition opportunities would be appraised, protecting the interests of the Council and mitigating against the risk of returning Right-to-Buy (RTB) receipts to government with penalty interest.

Although this process has worked well in respect of individual open market acquisitions during the period since 2014, the reliance on acquiring properties in this manner means that RBC currently pays 100% open market value for homes which often require additional investment in the medium to longer-term to ensure compliance with the decent homes standard.

The opportunity to bid for larger S106/Affordable Housing components of **new** developments has been restricted. Market-led opportunities generally arise with short timescales driven by developers and thus reduce the ability of officers to produce recommendations to Cabinet and Council in line with the current committee timetable.

In addition, opportunities to consider the strategic disposal of HRA properties / assets have not previously been given a policy framework.

A revised *Asset Acquisition and Disposal Policy* (Appendix A) with *Approval Process* (Appendix B) has been prepared in light of these issues and is recommended for approval.

2. Background

Following the introduction of self-financing for the HRA in April 2012 and the subsequent re-invigoration of the RTB process, the Council adopted a revised Acquisitions Strategy in February 2014.

The Council signed an agreement with the Department for Communities and Local Government (DCLG) that allows a proportion of the capital receipts from RTB sales to be retained locally on the condition that the receipt is used to fund a maximum of 30% of delivering a new affordable housing dwelling (including temporary accommodation). This can be achieved either by new build or an acquisition of an

open market dwelling. The balance of the funding must be met from the Council's own resources or through borrowing, where there is headroom available.

If the capital receipt retained has not been used to deliver a lettable dwelling by the end of a 3-year period, it must be returned to DCLG with accrued compound interest at 4% above the base rate. The rate of interest is far higher than the authority could hope to achieve in investing it during this 3-year period.

Therefore, it is imperative that the Council is able to respond quickly to invest the resource available, subject to access to the 70% top-up funding, or to pay over the receipt to DCLG at the point of receipt so as not to incur unnecessary interest payments.

To ensure the delivery of a sustainable HRA and meet the needs of the Homelessness Reduction legislation over the longer term it is also vitally important to make best use of existing assets.

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 for the delivery of more than one new build asset in its place.

The attached revised HRA and Housing General Fund Acquisition and Disposal Policy identifies the criteria under which buying and selling HRA and Housing General Fund assets should be considered. The proposed process also ensures that the Council can respond quickly enough to demand for either.

In addition to the above, the HRA and Housing General Fund Acquisition and Disposal Policy links directly to the following Corporate Priorities:

- Prioritise use of resources to meet changing customer needs and demands;
- Ensure that the council works efficiently and effectively; and
- Ensure residents have a home that works for them and is affordable

### 3. Acquisitions and Disposals Criteria

The key acquisition criteria in the proposed policy (and in all cases subject to prior consultation with the Head of Communities and Homes to understand service impact) 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(s) 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 borough boundary; and
- 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.

The key disposal criteria (and in all cases subject to prior consultation with the Head of Communities and Homes to understand service impact) in the proposed policy are:

- A property / asset where the business case indicates a negative contribution to the business plan or the use of excessive resources to derive the benefit, with anticipated costs of managing, maintaining and improving to the required standard, expected to outweigh the rental stream realisable, with no clear social benefit to retention;
- A property where the location detracts from ease of housing management and maintenance activity; and
- A property where the build type detracts from ease of housing maintenance.

#### 4. Recommendation

1. The Housing Revenue Account (HRA) and Housing General Fund Asset Acquisition and Disposal Policy and accompanying Approval Process be approved; and
2. the Head of Corporate Resource and Chief Financial Officer be given delegated authority to approve Housing Revenue Account (HRA) and General Fund housing acquisitions and disposals in accordance with the policy

# Housing Revenue Account (HRA) and General Fund Housing Asset Acquisition & Disposal Policy

## 1 Introduction

The Housing Revenue Account (HRA) Medium Term Financial Plan 2017/18 – 2020/21 set out a number of objectives, one of which is to invest in the provision of new affordable housing. It is identified that this can be achieved by either direct investment in purpose built new build housing or through strategic acquisition, either on the open market or through buy-back opportunities. The potential for strategic disposal of Housing Revenue Account assets is also identified, where it can assist in the viable delivery and sustainability of the plan.

The HRA Capital Investment Plan 2017/18 – 2019/20 included funding for the strategic acquisition of dwellings. Since the implementation of self-financing in April 2012, changes in the legislation surrounding right to buy sales and the treatment of the associated capital receipts has resulted in the need to consider and update the separate Acquisition & Disposal Policy.

## 2 Policy Statement

Rugby Borough Council is committed to delivering, increasing, managing and maintaining the supply of quality affordable housing for residents in the town, maximising the delivery of new sustainable housing in a range of sizes, types and tenures.

## 3 Policy Objectives

The objectives of this Acquisition & Disposal Policy are:

- To increase the supply of additional suitable affordable housing and temporary accommodation owned and managed by the HRA and General Fund, recognising the increasing demand on the housing waiting list, whilst providing opportunity to re-balance the mix of housing owned by the authority;
- To facilitate the acquisition of property / assets that will assist in the delivery of identified and potential new build opportunities;
- To facilitate the disposal of property / assets that are no longer meeting the service or business need and where the receipt could be better utilised elsewhere; and
- To provide a framework to assess the viability and value for money of acquiring or disposing of a specific property asset, delivering the flexibility to be able to act within limited timescales, as opportunities arise.

## 4 Background

Under the retention agreement introduced retrospectively and entered into by the authority, as part of the new Right to Buy (RTB) legislation from April 2012, the



authority has opted to retain a proportion of RTB receipts to replace the dwellings lost through this process.

Under the retention agreement, the authority is required to re-invest the retained receipt within a 3-year time frame, using it to fund a maximum of 30% of either a new build affordable dwelling or the purchase of an existing dwelling which is offered for sale. The authority's preference will be to invest in new build dwellings where possible, as this increases the overall supply of housing in the borough. However, shortage in available land and the tight development time frame mean that the ability to purchase existing dwellings will also need to be actively exercised to ensure an increase in supply of affordable housing within the constraints that exist. This policy seeks to ensure that the authority is able to meet its obligations under the right to buy retention agreement, taking advantage of opportunities as they arise.

Similar to this policy, in respect of the right of first refusal legislation, this policy needs to be supported by criteria under which potential acquisitions or disposals can be assessed quickly, enabling the required decisions to be made to facilitate completion within an appropriate time frame.

Rugby Borough Council is continuing to develop new-build schemes but the availability of land owned by the HRA, and in the borough in general is a consideration. Schemes will continue to be presented for decision on a scheme by scheme basis, confirming the funding proposed for each scheme as it is approved, including any requirement for prudential borrowing.

This policy focuses particularly on the consideration required in respect of strategic acquisitions, buy-backs and disposals, establishing a set of criteria upon which acquisition or disposal decisions can be made. The provision of any new build affordable housing by the HRA or temporary accommodation by the General Fund, will need to be closely aligned with the identified need for housing in the borough, as dictated by the housing waiting list, which is reviewed periodically to ensure it is representative of current need.

The mix of housing provided by the HRA would be expected to reflect the profile of those with a priority need.

It is proposed that any properties acquired on the open market or through buyback are let at either social rent levels, assuming that they are introduced directly at target rent; or, at affordable rents if this is necessary to demonstrate that the acquisition is more financially viable. Affordable rents, or an interim negotiated rent, will continue to apply to new-build properties built with an element of HCA grant funding.

## **5 Detailed Implementation - Acquisition Criteria**

Each potential acquisition or development scheme will be assessed on an individual basis, in line with the criteria set out in this policy considering the financial implications of the acquisition and the relative merits in value for money terms.

A proposed acquisition will only be progressed if the criteria are met and the

relative financial benefits can be demonstrated. In all circumstances, progression to business case will only take place following consultation with the Head of Communities and Homes to understand service impact. The key criteria proposed are as follows:

- 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 borough boundary; and
- 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.

#### **Property which has had, or is particularly suitable for, significant disabled adaptations**

Consideration should be given to the purchase of property which is suitable for conversion, or extension, to create ground floor bathing facilities, level access showers, etc., or which lends itself to the installation of a through floor lift to allow disabled access to the first floor of the property.

#### **Empty property or a property in disrepair, causing concern in the locality**

Privately owned dwellings do not always receive the same level of improvement works as those in public ownership. Sometimes this is because the owner (often a former council tenant when the properties are on existing council estates) is not financially able or willing to undertake improvement works. In these instances, it may be viable to make an offer to purchase the property, undertaking the necessary works ourselves, prior to letting the dwelling as an additional social housing unit.

#### **Property in specific or high demand**

From time to time, demand exists for a specific size or type of dwelling, for example, to meet the needs of a larger household. Historically the only real option open to the Council was to invest limited resource in converting two adjacent dwellings into one larger unit of accommodation. This has the negative impact that the rental income receivable on the one larger dwelling is less than could be anticipated from letting the two smaller units separately. Where the need arises, and the opportunity exists, it may be financially viable to purchase an existing larger property on the open market, thus increasing the overall supply of affordable housing, whilst avoiding the conversion costs and loss of rental income.

There has historically been a shortfall in family sized accommodation, and more recently, due to a combination of our existing re-development programme and tenants need to downsize due to the removal of the spare bedroom subsidy as

part of the Welfare Benefit Reforms, an emerging shortfall in one bedroom accommodation.

This key criterion would enable the purchase of suitable dwellings on the open market, in areas of high demand and to meet an identified housing need.

### **Market units on existing and future development sites**

Working with our developer partners and other registered providers in delivering housing on both our own development sites, and the strategic growth sites, there may be an option to acquire new build dwellings direct from the developer, purchasing some of the dwellings initially identified as market housing. This would increase the supply of affordable housing delivered on any of these sites, with potential opportunities to acquire both general needs and shared ownership housing. The authority will need to be mindful that there may be significant service charges attached to the purchase of any flat on the open market or directly from a developer,

### **Leasehold flats (when offered for sale by the leaseholder)**

Rugby Borough Council has approximately 60 leasehold flats, where properties have been sold under the right to buy legislation over the past 30 years.

Under the terms of the lease, leaseholders are required not only to pay annual service charges for services and facilities provided to them, or that they benefit from, but also to make an appropriate contribution for their share of the cost of any major repair / replacement / improvement works to the block in which they reside. Legislation requires that the authority undertake Section 20 consultation with all leaseholders affected prior to letting contracts or awarding works to a block, adhering to prescriptive time frames and processes. Following the completion of works, the authority invoices and attempts to recover the cost of the works from the leaseholders in the block. An individual household's contribution to major works can be significant, and collection of the monies can prove difficult and costly. Any offer to spread or defer repayments has a negative impact on the cashflow for the Housing Revenue Account.

Where opportunities arise, the authority should consider buying back leasehold flats, therefore increasing the supply of affordable housing whilst also mitigating the impact of non-recovery of Section 20 charges, particularly where the purchase would result in the authority again having direct control over the entire block.

Ownership of the entire block would only apply however, until any existing or future tenant exercised their right to buy.

### **The purchase of land or property that would aid a future development**

Over many years, the Council has disposed of small areas of land and property where it was considered that alternative use was not an option. The ability to consider wider-scale re-development schemes as part of Self-Financing prompts consideration of any such requests very differently going forward.

Where the opportunity arises, the authority may consider acquisition of small strips of land, garages or existing dwellings, where ownership of the asset would aid the design of a potential development scheme. This would allow maximisation of development opportunities to deliver the greatest number of additional dwellings.

### **A property where the location lends itself to ease of management and maintenance**

Property in or around existing housing estates may prove efficient to manage and maintain, particularly due to its locality, giving rise to consideration for purchase.

### **Other acquisition opportunities**

From time to time there may be other opportunities to acquire an existing dwelling. In these circumstances a business case will be prepared to demonstrate the financial viability of any proposed acquisition.

## **6 Detailed Implementation - Disposal Criteria**

Each potential disposal will be assessed on an individual basis, in line with the disposal criteria set out in this policy, considering the financial implications of the disposal and the relative merits in value for money terms. These will need to be balanced with the social value of the asset.

A proposed disposal will only be progressed if the criteria are met and the relative financial benefits can be demonstrated. In all circumstances, progression to business case will only take place following consultation with the Head of Communities and Homes to understand service impact. The key criteria proposed are as follows:

- A property / asset where the business case indicates a negative contribution to the business plan, or the use of excessive resources to derive the benefit, with anticipated costs of managing, maintaining and improving to the required standard, expected to outweigh the rental stream realisable, with no clear social benefit to retention;
- A property where the location detracts from ease of housing management and maintenance activity; and
- A property where the build type detracts from ease of housing maintenance.

### **Property where the business case indicates a negative financial contribution**

The need to invest in any dwelling to ensure that it continues to meet the desired standard for letting purposes should be carefully considered against the potential future rental stream for the property. If the investment need, plus the cost of management and maintenance for the property, outweighs the anticipated rental stream over the 30-year life of the business plan, the property should be actively considered for disposal.

### **Property location**

On occasions the location of a particular dwelling makes it difficult to let, manage or maintain. In these instances, consideration should be given to strategic disposal, particularly where the capital receipt anticipated can be demonstrated to deliver greater benefit elsewhere in the future provision of affordable housing. For example, where the receipt can be used to replace the dwelling with another / others in a preferable location

### **Property build type**

The construction type of some of the housing stock is non-traditional. In some cases, this can make routine maintenance and future improvement of the dwelling difficult or impossible, particularly when it comes to energy efficiency works.

In specific circumstances it may be beneficial to the authority to dispose of such property, with a view to replacing the dwelling with another of a traditional construction type.

## **7 Assessment / Evaluation Criteria**

The ability to demonstrate value for money in respect of any acquisition or disposal is key, with the following tools identified to support the Council's ability to effectively demonstrate this:

- Financial appraisal will be carried out using Net Present Value (NPV) modelling, ensuring that the financial impact of the proposed acquisition or disposal is clearly demonstrated.
- An independent property valuation will be sought, using recent market place comparables to ensure validity.
- Appropriate surveys will be conducted, and could include condition, full structural, dilapidations, ground condition and asbestos surveys. These surveys should result in an estimate of the potential initial and future investment need for a property, whether it be to support the proposal to dispose of a dwelling or for inclusion in the business case for a purchase, to ensure that the rental stream for a property can support the required investment to render the property lettable.
- Where an acquisition is to facilitate future development, an assessment of the anticipated gain as a result of the purchase will need to be made. This may be best demonstrated by the additional numbers of units that could be delivered on the site as a direct result of the purchase.

## **8 Review of the HRA and General Fund Housing Asset Acquisition & Disposal Policy**

Officers will review the HRA Asset Acquisition & Disposal Policy every 3 years, as a minimum.

Policy Date November 2017

Review Date November 2020

## Appendix B

### Housing Revenue Account & General Fund Housing Asset Acquisition & Disposal Approval Process

When a potential acquisition or disposal is identified, there is the need for the authority to respond within a reasonable time frame to ensure a successful outcome. This will not necessarily fit within the existing committee timetable, so the process will require the use of delegated authority, to secure a purchase or sale.

Item	Action	Working Day
1	Potential acquisition / disposal identified	0
2	Instruct registered valuer to provide an independent valuation (if required)	0
3	Business Case prepared using external valuation obtained from a registered valuer / NPV or similar analysis from Financial Services	5
4	Business Case considered by Housing Services / Corporate Property team (in person or by e-mail) and vendor / developer / purchaser notified of interest	7
5	Business Case presented to Head of Communities and Homes / Head of Corporate Resources and Chief Financial Officer for consideration	9
6	Business Case confirmed/rejected by Head of Communities and Homes / Head of Corporate Resources and Chief Financial Officer. Amendments made where requested.	11
8	Instruct Corporate Property team make offer subject to surveys / conditions and arrange required surveys	17
9	Instruct Legal Services to arrange completion of purchase / sale	17