

Cabinet Member Delegated Decision 21 June 2018

Report title: Grant of retained Right to Buy receipts to The Guinness Partnership

Wards: Coldharbour

Portfolio: Councillor Matthew Bennett, Cabinet Member for Planning and Investment

Report Authorised by: Sue Foster: Strategic Director for Neighbourhoods and Growth and Jackie Belton: Strategic Director for Corporate Resources

Contact for enquiries: Daniel Grantham, Group Manager, Corporate Resources (0207 926 2373) and Andy Radice, Social Housing Liaison Manager, Strategic Programmes, (0207 926 3611).
dgrantham@lambeth.gov.uk and aradice@lambeth.gov.uk

Report Summary

This report proposes the grant of up to £1.9m of the Council's retained Right to Buy receipts to The Guinness Partnership. The grant is conditional and will be used by the Guinness Partnership to part fund the development cost of 33 units of housing which will be made available for affordable rent. In exchange for the grant the rent levels charged to nominated tenants will be reduced from the intended rate to LHA rent levels. The Council will receive 100% nomination rights to the units in perpetuity.

Finance summary

The proposed recommendation to grant up to £1.9m to The Guinness Partnership will be funded entirely from the Council's retained right to buy receipts. It is anticipated that the funds will be granted during the financial year 2018/19.

Recommendations

1. To approve the grant of up to £1.9m of retained right to buy receipts to the Guinness Trust.
2. To note the proposed nominations agreement setting out the terms and conditions of the grant.

1. Background

- 1.1 On 23 April 2014 the Council entered into an agreement under section 11(6) of the Local Government Act 2003 with the Secretary of State for Communities and Local Government to retain additional receipts generated through right to buy sales. This followed a reinvigoration of the government's right to buy scheme which included a higher discount cap for tenants and a commitment to ensure that receipts from every additional home sold under right to buy were used to fund replacement on a one-for-one basis nationally with a new home for affordable rent on the basis that capital receipts can be used to fund 30% of the development costs.
- 1.2 The Council's agreement with the Secretary of State includes provisions allowing the Council to work with partner organisations including the option to grant Right to Buy (RTB) receipts to Registered Providers (RPs) in order to fund the development of new affordable rented housing.
- 1.3 RTB receipts are required to be returned to the Secretary of State with additional interest penalties in the event that they are not spent within a 3 year time period. It is therefore in the Council's interest financially to ensure that it maximises spend of receipts. In view of the Borough Plan Objective concerned with Promoting Inclusive Growth, the Council is developing initiatives to use this money, including the possibility of investing RTB Receipts in Registered Partner (RP) schemes. Most RPs required a higher rate of subsidy than the Government permits, but it has been possible to devise one scheme with The Guinness Partnership to finance the reduction in rent levels of 33 affordable rent units as part of the regeneration of the Loughborough Park Estate so that they can be allocated to people and households on Housing Benefit.

2. Proposal and Reasons

- 2.1 This report proposes the grant of up to £1.9m of the Council's retained RTB receipts to The Guinness Partnership to reduce the rent of the 33 x 1 and 2 bedroom properties as part of the Loughborough Park Estate, for which the Council will obtain 100% permanent nomination rights.
- 2.2 The Guinness Partnership is two-thirds of the way through the redevelopment of the Loughborough Park Estate. They obtained GLA Affordable Housing Funding at a time of exceedingly low grant rates. This was mainly used to finance the accommodation needed to rehouse the existing tenants at Social Target Rent Levels, but there are 60 units (23 shared-ownership and 33 Affordable Rent properties where rents are 65% of market values) that were not grant funded.
- 2.3 As The Guinness Partnership Trust is committed to providing the shared-ownership units, and Right to Buy Receipts can only fund 30% of development costs, it is not possible to finance the conversion of the shared-ownership accommodation into Affordable Rent property. However, whilst the rents for the regeneration of the whole of the Loughborough Park Estate accorded with the Council's Interim Tenancy Strategy that was being implemented at the time that the regeneration scheme was being devised, Guinness are prepared to reduce the rent levels for the other 33 units to Local Housing Allowance Levels (the maximum rent levels for Housing Benefit purposes) so that they can be allocated to households on Housing Benefit. This will require the investment of £1.9m in RTB receipts (30% of the total development costs of £6.4m) to reduce the rent levels, and the new, reduced rents will accord with the final Tenancy Strategy that was adopted by the Council

2.4 The actual reduction in rent levels are:

<u>Bedroom Type</u>	<u>Guinness Partnership Rents</u>	<u>LHA Rents, inclusive of service charges</u>
1 bedroom	£245 p.w.	£204 p.w.
2 bedroom	£291 p.w.	£265 p.w.

2.5 As the use of RTB receipts was investigated with RPs last autumn, it was not possible to organise a formal procurement process for receipts that need to be spent by the end of March 2018. However, in accordance with legal requirements, Guinness Partnership's proposition provides value for money. The reduction in rent levels requires the investment of £58,000 RTB receipts per unit whereas the average costs for the Council of constructing 1 and 2 bedroom properties in regeneration schemes is £143,000 and £251,000 respectively, after including GLA grant and allowance for rents covering the costs of finance and management.

2.6 The grant of RTB receipts by the Council to a RP is advantageous as it means that the RP, rather than the Council, can provide the remaining 70% funding requirement. In exchange the Council can secure nomination rights to the newly developed units.

2.7 An agreement has been negotiated with The Guinness Partnership in regard to payment of the RTB receipts as well as the provision of 100% nomination rights in perpetuity to the Council, and the Council's requirements for advertising new and relet accommodation through Choice Based Lettings, the referral of people and households and acceptance processes together with copies of the forms used as part of these.

3. Finance

3.1 The proposed grant will be funded entirely from the Council's existing balance of retained Right to Buy receipts. There are no associated revenue expenditure implications.

3.2 The provisions of the Council's agreement with the Secretary of State require that retained Right to Buy receipts comprise no more than 30% of an eligible scheme's total development expenditure. The expected total development cost of the 33 units is £6.4m, which allows the grant of up to £1.9m towards the scheme's cost.

3.3 It is anticipated that the funds will be granted during the financial year 2018/19 with the exact timing contingent upon the progress of the associated housing development.

3.4 The following table compares the original rent proposals for the units with the LHA rent levels which will be implemented as a result of the proposed Council grant and demonstrates that the investment of this money will result in a reduction in rent of £2.08m over a 35 year lifecycle. It should however be noted that future government policy affecting LHA rates would impact the actual future rent reduction.

Number of Bedrooms	Number of Units	Proposed rent without council grant (£ per week)	Proposed rent with council grant (LHA rate in £)	Reduction in rent owing to council grant (£)	Total reduction in rent per annum (£)	Total reduction in rent 35 year lifecycle (£)
1	19	245	204	41	40,508	1,417,780
2	14	291	265	26	18,928	662,480
Total	33				59,436	2,080,260

3.5 The RTB receipts will be paid to Guinness to pay for costs incurred in both 2017/18 and 2018/19.

4. Legal and Democracy

4.1 Subject to Secretary of State consent, Section 24 of the Local Government Act 1988 gives the Council the power to provide any person with financial assistance for the purpose of, or in connection with, the acquisition, construction...or management of any property which is intended to be privately let as housing accommodation. General consent has been given for this power in paragraph C of 'The general consents under section 25 of the Local Government Act 1988 (Local Authority assistance for privately let housing) 2010'.

4.2 Section 3 of the Homelessness Act 2002 requires local authorities to have a homelessness strategy for preventing homelessness in their district, including ensuring that sufficient accommodation is and will be available for people in their district who are or may become homeless.

4.3 Section 111 of the Local Government Act 1972 provides a local authority has the power to do anything (whether or not involving the expenditure, borrowing or lending of money or the acquisition or disposal of any property or rights) which is calculated to facilitate, or is conducive or incidental to, the discharge of any of their functions.

4.4 This proposed key decision was entered in the Forward Plan on 16 March 2018 and the necessary 28 clear days' notice has been given. In addition, the Council's Constitution requires the report to be published on the website for five clear days before the proposed decision is approved by the Cabinet Member. Any representations received during this period must be considered by the decision-maker before the decision is taken. A further period of five clear days - the call-in period – must then elapse before the decision is enacted. If the decision is called-in during this period, it cannot be enacted until the call-in has been considered and resolved.

5. Consultation and co-production

5.1 As well as discussing the proposal with The Guinness Partnership, the proposal was discussed and approved internally on 4th January 2018.

6. Risk management

6.1 Retained right to buy receipts are required to be returned to the Secretary of State with additional interest penalties in the event that they are not spent within a 3 year time period. It is therefore in the Council's interest financially to ensure that receipts are spent to a maximum.

7. Equalities impact assessment

- 7.1 The increase in good quality affordable housing will improve Lambeth's level of affordable housing by 33 properties in order to provide accommodation for individual people and households. As Housing Benefit will cover rent, the accommodation can be used to relieve the pressures arising from households living in acute housing need. In particular, through the Council's Choice Based Letting's System, Guinness's property will be attractive to the homeless who have a high priority when bidding for accommodation and represent some of Lambeth's most disadvantaged residents, because over 76% of homeless households have children when the average for the Council is 24%, and virtual 60% are derived from Black Caribbean/ African/ and Other Communities when these groups only represent 24% of all households living in the Borough.

8 Community safety

- 8.1 N/A

9 Organisational implications

9.1 Environmental

The accommodation is built to a high environmental standard, and should not be too expensive to heat and run.

9.2 Staffing and accommodation

Not relevant.

9.3 Procurement

Given the need to approach RPs in order to maximise expenditure in 2017/18, it was not possible to ask them to tender projects through a formal procurement process. Nevertheless, as section 2.5 of the report explains, the investment of RTB receipts provides value for money.

9.4 Health

The accommodation is built to Lifetime Homes Standards therefore will have a positive impact on health and wellbeing.

10 Timetable for implementation

- 10.1 The 33 units at Loughborough Park are scheduled to be completed at the end of July/ early August 2018. The payment of the RTB Receipts will be made in stages up to and including this date.

Audit Trail				
Consultation				
Name/Position	Lambeth directorate / department or partner	Date Sent	Date Received	Comments in paragraph:
Councillor Matthew Bennett	Cabinet Member for Planning and Investment	01.06.18	13.06.18	
Sue Foster, Strategic Director Neighbourhoods and Growth	Strategic Director Neighbourhoods and Growth	01.06.18	11.06.18	
Rachel Sharpe	Director Strategic Programmes	26.04.18	27.04.18	2.7 and 7.1
Mandy Green	Assistant Director Homes and Communities	20.04.18	26.04.18	2, 3,
Daniel Grantham, Finance	Corporate Resources	8.02.18.	2.03.18.	3. to 3.5
<i>Greg Carson</i> , Legal Services	Corporate Resources	10.04.18	16.04.18	4.1 to 4.3
<i>Maria Burton</i> , Democratic Services	Corporate Resources	30.04.18	14.05.18	4.4

Report History	
Original discussion with Cabinet Member	4 January 2018
Part II Exempt from Disclosure/confidential accompanying report?	No
Key decision report	Yes
Date first appeared on forward plan	16.03.18
Key decision reasons	2. Expenditure, income or savings in excess of £500,000
Background information	Local Government Act 2003 Lambeth's Tenancy Strategy 2011
Appendices	None

APPROVAL BY CABINET MEMBER OR OFFICER IN ACCORDANCE WITH SCHEME OF DELEGATION

I confirm I have consulted Finance, Legal, Democratic Services and the Procurement Board and taken account of their advice and comments in completing the report for approval:

Signature: _____ **Date:** _____

Post: Andy Radice, Social Housing Liaison Manager

I confirm I have consulted the relevant Cabinet Members, including the Leader of the Council (if required), and approve the above recommendations:

Signature: _____ **Date:** 21 June 2018

Post: Councillor Matthew Bennett, Cabinet Member for Planning and Investment

Any declarations of interest (or exemptions granted): none

Any conflicts of interest: none

Any dispensations: none