

# Housing Revenue Account Acquisitions Programme 2017/18

**Cabinet**

**Date: 26<sup>th</sup> April 2017**

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Author:	Cabinet Member for Housing and Homelessness Corporate Director Communities and Place
Wards:	All
Locality Affected:	All
Parishes Affected:	All

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## **1. Purpose and Reasons**

- 1.1 The purpose of this report is to seek approval to take immediate steps to provide additional homes for up to 100 families who are presently homeless. The intention is to also target, where possible, empty property thereby making full use of existing housing and reduce the blight caused in neighbourhoods by empty homes.
- 1.2 This would be achieved by allocating from within the Housing Revenue Account, £17.0 million for the purchase of family sized affordable homes to assist with current homelessness budget pressures.
- 1.3 The recommendations support the Vision Priority “To improve infrastructure and housing to support a low-carbon economy”.

## **2. Recommendations**

Cabinet is recommended to:

- 2.1 Approve a budget of £17 million from within the Housing Revenue Account to purchase existing family sized properties from the local housing market to alleviate current homelessness pressures. The purchases are to be funded by a combination of Housing Revenue Account reserves, the use of retained Right to Buy receipts and borrowing where required, as set out in 3.15 of the report.
- 2.2 Approve additional Housing Revenue Account borrowing, if required, to fund house purchases and improvement works to the Council housing stock as set out in 3.15 of the report.
- 2.3 Authorise the Director of Law and Democratic Services, in consultation with the Head of Housing Management and Community Safety, to complete all associated legal documentation necessary to purchase the properties identified and on such other terms as he considers necessary to protect the Council’s position.

## **3. Detail**

- 3.1 The Council is facing an acute shortage of affordable family sized accommodation for those that the Council has accepted a homelessness duty. The Council currently leases just over 430 properties from private landlords to

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Further information on the subject of this report can be obtained from Michael Ash, 01793 464377, mash@swindon.gov.uk.

# Housing Revenue Account Acquisitions Programme 2017/18

Cabinet

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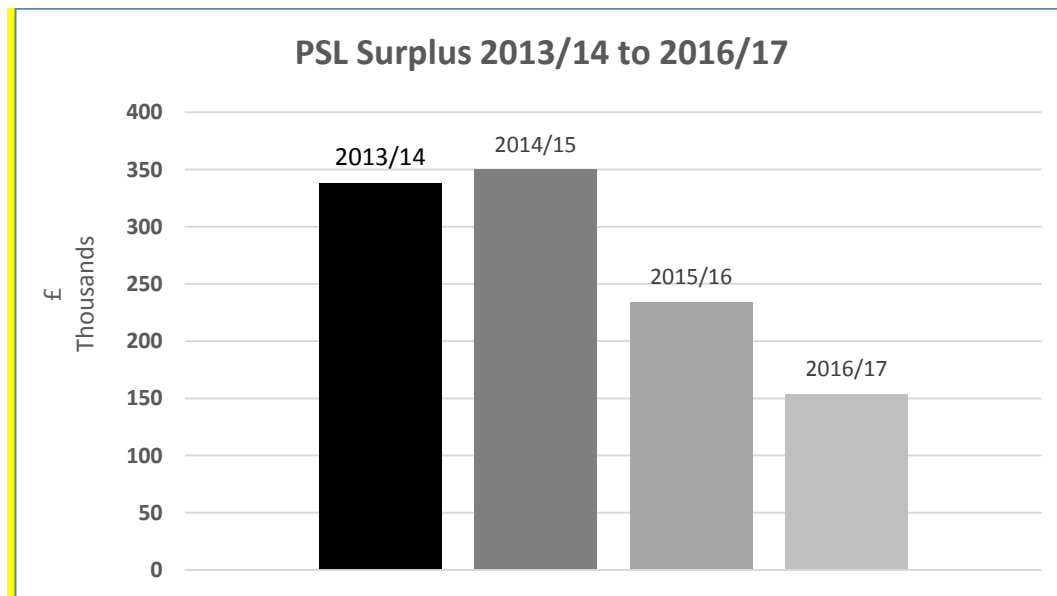
assist with its temporary housing provision. This is known as the Private Sector Leasing scheme (PSL).

- 3.2 This report sets out an opportunity to increase the number of properties held within the Housing Revenue Account (HRA) and reduce the numbers accommodated in more expensive temporary accommodation. The latter places an ongoing pressure on the General Fund. An additional 100 homes will also increase the HRA's annual income by approximately £700,000.
- 3.3 The intention is to target the purchase of empty homes that meet the decent homes standard, which could include the repurchase of former local authority stock to achieve best value. This is also an opportunity to recycle £5 million of Right To Buy (RTB) receipts which are at risk of having to be returned to the Treasury.
- 3.4 Members should note there are safeguards to prevent profiteering in that anyone exercising the Right to Buy who then sells their home within 12 months will need to repay the discount in full and there is a gradual sliding scale of repayment over 5 years. Within the first 10 years the seller must also first offer it back to the Council.
- 3.5 The Council in recent years has received an administration fee from the Government of £60 per week for each PSL property, which has helped bridge the gap between the cost of these properties and the rent and housing benefit received in respect of the tenants. This administration fee totalled approximately £1.25m of income in 2016/17. However, from the 1<sup>st</sup> April 2017, the Government has replaced this administration fee with the ring fenced "Flexible Homelessness Support Grant", which is set for Swindon at £807k in 2017/18 and £904k in 2018/19. The funding regime beyond 2018/19 is not currently clear, but for 2017/18, this will leave a budget pressure of circa £440k unless the temporary accommodation portfolio is reduced and replaced with long term affordable housing.
- 3.6 Recent measures by the Government, as part of its ongoing programme to restore fiscal responsibility to the nation's public finance have sought to curtail the national costs of Housing Benefit. This has also resulted in the Council receiving £45 per week less income for each PSL property each week due to Housing Benefit reductions.
- 3.7 The impact of these changes over recent years is demonstrated in the graph below showing how the surplus generated on PSL accommodation has reduced over the last 4 years.

# Housing Revenue Account Acquisitions Programme 2017/18

Cabinet

Date: 26<sup>th</sup> April 2017



- 3.8 In addition, Swindon has experienced a significant increase in homelessness during 2016/17, which reflects national trends. In 2015/16 162 households were accepted as homeless, at the time of writing it is expected that approximately 200 households will be accepted in 2016/17. The increase in demand has resulted in a budget pressure to the General Fund's Homeless Budget in 2016/17 of just over £200,000 to fulfil statutory obligations. This combined with funding for a range of additional prevention measures has added a further £100,000 to the in-year budget pressure. The budget outturn detail will be reported to Cabinet in June 2017.
- 3.9 The homelessness budget pressure is exacerbated by new arrangements in the way in which Universal Credit is claimed and paid. Officers are working with officials at the Department of Works and Pensions to improve the new arrangements, however there is a concern that current and recent temporary accommodation rent arrears accruing will be difficult to retrieve.
- 3.10 The growing economy and demand for housing has meant that private market rents have risen significantly over the past 18 months, with the result that rents charged by Landlords to the Council are higher than the Local Housing Allowance (LHA) rates charged to tenants in temporary accommodation. This means that every leased property is costing the Council on average £150 - £200 per month based on full occupancy and rent recovery.
- 3.11 The second reason for reduced income on temporary accommodation is the lowering of the Benefit Cap. In Swindon this is now limited to an annual benefit income of £20,000 for working age couples and single parents (with or without children). The reduced Cap also commenced in November 2016. This has had a particular impact on larger households accommodating larger properties that attract higher rents.

# Housing Revenue Account Acquisitions Programme 2017/18

Cabinet

Date: 26<sup>th</sup> April 2017

- 3.12 Once a family hits the £20,000 threshold the first benefit to be withdrawn is housing benefit. There are a number of important safeguards and exemptions that assist more vulnerable households including those in receipt of Carers Allowance, Attendance Allowance and Disability Living Allowances. Those on low incomes are also exempt if they are in receipt of Working Tax Credits. Supporting people back to work is also part of the Council's approach to maximise the incomes of these households. The Council can also assist by awarding Discretionary Housing Payments; however, this should only be used as an interim measure.
- 3.13 Since the introduction of these changes officers have been working hard to reduce the impacts on these households. However given the escalation of rent arrears for both reasons identified above, additional measures are recommended. The key aim of this proposed programme is to reduce the numbers of households in PSL accommodation by 150 units during 2017/18. This can be achieved by a number of measures:

3.13.1 Expanding the affordable housing new build development programme.  
Work is already underway by adding the regeneration of Queens Drive to the programme

3.13.2 Increasing the number of "Directly Matched" homeless households in temporary accommodation to main stream council house tenancies. This is also underway

3.13.3 Increasing the supply of affordable housing with an acquisitions programme as identified in this report

- 3.14 The proposed acquisitions programme can be funded from within the Housing Revenue Account as follows:

Funding Source	£m
RTB Receipts (Based on Receipts expected to end of 2017/18)	5.0
HRA Reserves	12.0
Total	17.0

- 3.15 The HRA Budget, as agreed by Council in February 2017, identified a total roll forward reserve of £36.5m, including a capital reserve for major improvement works of £18.8m. Should the reserve be insufficient in 2017/18 to fund both this acquisitions programme and capital works to the HRA stock, authority is sought to fund the balance by using new HRA borrowing. New borrowing should not exceed the agreed programmes. The programme will also be supported by the use of £5.0m of Right to Buy receipts. It is important that these receipts are used within 3 years of sales, otherwise they must be returned to the Government with an additional interest charge. The programme will also eliminate the risk of this occurring in the foreseeable future.

# Housing Revenue Account Acquisitions Programme 2017/18

Cabinet

Date: 26<sup>th</sup> April 2017

- 3.16 This proposed new acquisitions programme will target larger family sized accommodation including 3, 4 and 5 bedroom units, to reduce costs on the General Fund. Two bed units will be purchased where they represent good value for money. The target is to purchase 80-100 units during 2017/18.
- 3.17 Properties purchased under this scheme will be rented at 80% of the LHA for Swindon (the Government has set the rate for Swindon as shown in the table below), plus any applicable service charges. These properties will be made available to tenants of former PSL properties, at which point the Council will discharge its homelessness responsibility to the tenants and they will become social housing tenants within the HRA. Tenants of PSL properties currently pay the full LHA rate for their property, the rent payable to the HRA will therefore be lower than they are currently paying, thus making them more affordable than their current accommodation.

<b>Swindon Local Housing Allowance Rates</b>					
	1 room non self contained	1 Bedroom	2 Bedroom	3 Bedroom	4 Bedroom
2017/18 Amounts Weekly amount	£61.84	£106.54	£127.51	£157.56	£198.11
2015/16 & 2016/17 Weekly Amounts	£60.04	£103.44	£127.51	£157.56	£198.11

- 3.18 Financial modelling indicates that 100 three bed properties bought within the £17m budget and rented at LHA rents would remove 100 families from the General Fund homelessness budget, but add significantly to stock numbers in the HRA and generate over £700k rent per year after allowances for maintenance and void periods.
- 3.19 Repairs and improvements will be carried out to all purchased properties, prior to start of any new tenancy, to ensure that they fully meet the Decent Homes Standard and the Council's re-let standard.

## 4. Alternative Options

- 4.1 The Council could rely on the expansion of the new build HRA development programme, however in order to manage current General Fund budget pressures an HRA acquisitions programme will add the necessary pace to reduce revenue spending. If the Council does not move families out of PSL accommodation on the scale identified within this report, there will be a direct impact on the Council's budget and the Medium Term Financial Plan position.

# Housing Revenue Account Acquisitions Programme 2017/18

Cabinet

Date: 26<sup>th</sup> April 2017

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## 5. Implications, Diversity Impact Assessment and Risk Management

### Financial and Procurement Implications

- 5.1 The proposals outlined above will help the Council reduce the need for temporary accommodation for homeless families. The offer of HRA accommodation will discharge the homelessness duties of the Council, in addition the reduction will help mitigate the impact of the change in administration grant detailed in paragraph 3.5.
- 5.2 The HRA has a significant level of reserves and when these are added to the RTB receipts, they will generate a much higher rental return than is currently being achieved through investment returns.
- 5.3 If the RTB receipts are not used by the Council they will need to be returned to Government, with interest. They are also time limited, and there is a risk that the current new build programmes may not be sufficiently advanced to use all of the RTB receipts before they are required to be returned.
- 5.4 Currently the HRA is selling approximately 70 properties per annum under the RTB provisions, the purchases proposed will help to ensure that suitable replacement properties are provided in a timely fashion. Based on the current sales rate continuing, the Council is retaining approximately £2.5m of RTB receipts each year, the future HRA new build development programme will benefit from future RTB sale receipts.
- 5.5 Essential safety checks, repairs and improvement work for new acquisitions will be funded through existing budgets.
- 5.6 It is not anticipated that there will be any procurement implications in relation to repair and improvement work for new acquisitions as existing contracts will be utilised to deliver this work.

### Legal and Human Rights Implications

- 5.7 Legal and Human rights considerations have been taken fully into account in compiling this report. It is considered that the proposals within this report are compatible with convention rights.
- 5.8 The Council has a statutory duty to accommodate those households accepted as homeless in accordance with The Housing Act 1996, Part VII, as amended by the Homelessness Act 2002.

### All Other Implications (including Staff, Sustainability, Health, Rural, Crime and Disorder)

- 5.9 No specific implications have been identified at this time.

# Housing Revenue Account Acquisitions Programme 2017/18

Cabinet

Date: 26<sup>th</sup> April 2017

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## Diversity Impact Assessment

- 5.10 The Affordable Housing Development Programme Diversity Impact Assessment covers the same implications. Increasing the supply of affordable housing is more financially inclusive, setting up a stronger platform for those on low incomes to start and retain employment opportunities. A copy is available from the report author.

## Risk Management

- 5.11 The programme will be managed alongside the existing approved acquisitions programme and the development programme by the affordable housing development team.

## **6. Consultees**

- 6.1 The Director of Finance (Section 151 Officer) and Director of Law and Democratic Services (Monitoring Officer) are consulted in respect of all reports.

## **7. Background Papers**

- 7.1 None

## **8. Appendices**

- 8.1 None

## **9. Key Decision/Decision in Cabinet Work Programme and Forward Plan**

- 9.1 This is not a Key Decision or in the Cabinet Work Programme.