

## **BARNSELEY METROPOLITAN BOROUGH COUNCIL**

**This matter is a Key Decision within the Council's definition and has been included in the relevant Forward Plan**

### **REPORT OF THE EXECUTIVE DIRECTOR PLACE TO CABINET**

#### **HOUSING REVENUE ACCOUNT (HRA) – SECTION 106 ACQUISITION PROGRAMME**

#### **1. PURPOSE OF REPORT**

- 1.1 To approve the HRA Section 106 Acquisitions Programme for the financial years 2019/20 and 2020/21.

#### **2. RECOMMENDATIONS**

**It is recommended that:**

- 2.1 **Cabinet approve the HRA Section 106 Acquisition Programme for the financial years 2019/20 and 2020/21.**

#### **3. INTRODUCTION**

- 3.1 A successful HRA Section 106 acquisitions programme has been running since 2014. It has acquired 82 new build dwellings. This has helped to partially offset Council Housing stock loss through the Right to Buy Programme. Each year of late the Council has sold between 150 and 250 dwellings through Right to Buy and the Council Housing stock is reducing whilst the Council House waiting list remains at around 7,000 applications. Right to Buy sales also generate capital receipts, a part of which, under Central Government rules, has to be spend on replacement properties or paid over to the Government. Under these funding rules, expenditure that utilise the Right to Buy capital receipts has to be matched by a two thirds contribution from other HRA funds.
- 3.2 The Council has an Affordable Housing Supplementary Planning Document policy which requires developers of new build housing to provide a proportion of affordable housing on new build sites, above a minimum threshold, and is dependent on the location of the development within the borough.
- 3.3 The 82 properties purchased by the Council in the current programme have been purchased at an average cost of £67,209 per dwelling. This represents excellent value for money and the dwellings have been purchased at approximately 50% of open market value and at a considerably lower cost than self-delivered new build schemes. All of the properties purchased have been let as council houses at social rent levels, making them affordable for all.

- 3.4 Properties have been acquired across the borough and include bungalows, two and three bedroom houses and a small number of two bedroomed flats. The mix and type of properties is pre-set by agreement between the developer and the Council.
- 3.5 Developers will offer S106 properties to the Council or Housing Associations in a variety of ways. Some developers have regional agreements to sell all properties to one Housing Association, some are competitively tendered, and others choose to negotiate. Often there is a lengthy time gap between the completion of section 106 agreements between the developer and Council, the subsequent selection of a purchasing partner by the developer and the actual delivery of the units themselves.
- 3.6 Approvals for the purchase of section 106 properties will follow the normal Council approvals or delegation dependant on the value.

#### **4. PROPOSAL AND JUSTIFICATION**

- 4.1 It is proposed that the Cabinet approve an acquisitions programme for the next two financial years at a cost of £1.5m. This will enable approximately 20 section 106 dwellings to be purchased by the Council.
- 4.2 The programme will enable acquisitions supporting a number of key Council priorities including:
- Helping to meet the targets for new build homes;
  - Expending Right to Buy capital receipts;
  - Maintaining the number Council Houses available for letting at Social Rent levels.

#### **5. CONSIDERATION OF ALTERNATIVE APPROACHES**

- 5.1 Consideration has been given to discontinue the section 106 acquisitions programme diverting the funding into other HRA capital priorities. This has not been recommended because the programme supports a range of strategic priorities and represents very good value for money to the Council.

#### **6. IMPLICATIONS FOR LOCAL PEOPLE/SERVICE USERS**

- 6.1 The main benefits for local people and service users arising from the programme is that it helps to maintain the number of dwellings available for Council letting at Social Rent.

#### **7. FINANCIAL IMPLICATIONS**

- 7.1 Consultations have taken place with representatives of the Service Director – Finance (S151 Officer).
- 7.2 The £1.5M funding for this proposal has been set aside in principle by SMT / Members and has been formally approved as part of the 2019/20 HRA Budget Planning process that were submitted to Cabinet in January 2019 (Cab.9.1.2019/11 refers). This strategy is part of the Housing Growth Investment strategy and is funded from the HRA reserves.

- 7.3 Where eligible, 30% of the total purchase price of the properties can be funded using 1-4-1 Capital Receipts. Due to the restrictive criteria of allocating these receipts, it is not possible to quantify the amount of eligible funding that could allow the £1.5M budget to be enhanced at this point.
- 7.4 The current HRA business plan is forecasting a net decrease in the housing stock of 109 properties in 2019/20 which is based on the assumption of 210 RTB sales and 101 additional properties coming into the portfolio via new build and acquisitions strategies such as this.
- 7.5 Rental income within the HRA business plan has been calculated using the projected stock numbers. Any increase or decrease to those numbers will have a positive or negative impact on the amount of the rent the HRA can collect.
- 7.6 Financial services mitigate the risks to the HRA via robust monitoring of the RTB sales and rent collections in partnership with Berneslai Homes and Strategic Housing.

## **8. EMPLOYEE IMPLICATIONS**

- 8.1 The S106 acquisitions programme is carried out jointly by officers within Berneslai Homes and the Council as the current programme and with the following responsibilities:
- Berneslai Homes – Management, sourcing and administration of the programme.
  - BMBC PLACE – Housing and Energy, consultation on proposals and monitoring at Housing and Energy Board.
  - BMBC Regeneration & Property Asset Management – Valuation of the properties and Legal Instruction.
  - BMBC - Legal Services (Property and Planning Team) – Legal and Conveyancing Services.
- 8.2 The programme can be contained within existing employee services as set out above.

## **9. LEGAL IMPLICATIONS**

- 9.1 All properties will be purchased using the Council Legal Services (Property and Planning Team for Conveyancing and the use of experienced Council Solicitors reduces risk around this area.

## **10. CUSTOMER AND DIGITAL IMPLICATIONS**

- 10.1 There are no customer or digital implications contained within this proposal.

## **11. COMMUNICATIONS IMPLICATIONS**

- 11.1 There are no communications implications contained within this proposal.

## **12. CONSULTATIONS**

- 12.1 Consultations on this report have taken place within Berneslai Homes, the Council Strategic Finance manager, and the Head of Housing and Energy.
- 12.2 Consultation on individual schemes takes place with Berneslai Homes Lettings and Housing Management Teams. The Council's Head of Housing and Energy and Strategic Finance Manager are also consulted about each proposed acquisition.

## **13. THE CORPORATE PLAN AND THE COUNCIL'S PERFORMANCE MANAGEMENT FRAMEWORK**

- 13.1 The acquisition programme priorities proposed in this report aligns Berneslai Homes Strategic Plan with the Council's corporate priorities and requirements of Headline KPI's

## **14. TACKLING THE IMPACT OF POVERTY AND HEALTH INEQUALITIES**

- 14.1 Having and maintaining an affordable home is an important part of tackling the impact of poverty and health inequalities. All of the properties purchased have modern standards of insulation, heat loss and heating as required by current Building Regulation standards.
- 14.2 Council Housing provides by far the main provision of Social Housing in Barnsley. Maintaining adequate numbers of well managed low cost, good quality Council owned social rented properties in therefore a major part of tackling poverty and health inequalities within the borough.

## **15. REDUCTION OF CRIME AND DISORDER**

- 15.1 The properties purchased under this programme have good levels of external security.

## **16. RISK MANAGEMENT ISSUES**

- 16.1 Risk management forms a part of the evaluation of each acquisition and a risk section is contained in each individual approval report.

## **17. GLOSSARY**

HRA – Housing Revenue Account

## **18. LIST OF APPENDICES**

Appendix A – Financial Implications.

## **19. BACKGROUND PAPERS**

Acquisition Statistics and Reports

If you would like to inspect background papers for this report, please email [governance@barnsley.gov.uk](mailto:governance@barnsley.gov.uk) so that appropriate arrangements can be made

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