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Mrs S B Morris
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I summon you to attend the following meeting for the transaction of the business in the agenda below.

Meeting: Service Delivery Committee
Date and Time: Tuesday, 14 March 2023, 7.00 pm
Venue: Council Offices, Bushloe House, Station Road, Wigston, Leicestershire, LE18 2DR
Contact: Democratic Services
t: (0116) 257 2775
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Yours faithfully

Council Offices
Wigston
06 March 2023

Mrs Anne E Court
Chief Executive



Meeting ID: 2300

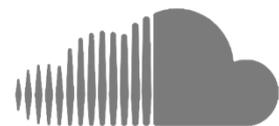


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<u>ITEM NO.</u>	<u>AGENDA</u>	<u>PAGE NO'S</u>
10.	Retained Right to Buy Receipts	3 - 8

Report of the Housing Manager

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	This agenda update pack (1)	All agenda update packs (9)
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Officer time (Pro rata hourly rate, 30 mins)	n/a	£6.37
Total cost(s)	£1.68	£21.46

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Service Delivery Committee	Tuesday, 14 March 2023	Matter for Information
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Report Title: **Retained Right to Buy Receipts**

Report Author(s): **Chris Eyre (Housing Manager)**

Purpose of Report:	To inform the Committee of the current position of the Council in relation to the Government’s Right to Buy and One for One Replacement policy and the Council’s plans to utilise Right to Buy receipts to replace sold housing stock.
Report Summary:	The report sets out how the Council intends to allocate Right to Buy receipts through property acquisitions and development opportunities.
Recommendation(s):	That the content of the report be noted.
Senior Leadership, Head of Service, Manager, Officer and Other Contact(s):	<p>Tracy Bingham (Director / Section 151 Officer) (0116) 257 2845 tracy.bingham@oadby-wigston.gov.uk</p> <p>Bev Bull (Head of Finance / Deputy Section 151 Officer) (0116) 257 2845 bev.bull@oadby-wigston.gov.uk</p> <p>Adrian Thorpe (Head of the Built Environment) (0116) 257 2645 adrian.thorpe@oadby-wigston.gov.uk</p> <p>Chris Eyre (Housing Manager) (0116) 257 2726 chris.eyre@oadby-wigston.gov.uk</p>
Strategic Objectives:	Our Communities (SO2)
Vision and Values:	Innovation (V4) Customer Focus (V5)
Report Implications:-	
Legal:	There are no implications directly arising from this report.
Financial:	There are no implications directly arising from this report.
Corporate Risk Management:	No corporate risk(s) identified Reputation Damage (CR4) Decreasing Financial Resources / Increasing Financial Pressures (CR1)
Equalities and Equalities Assessment (EA):	There are no implications arising from this report. Click to select EA screening.
Human Rights:	There are no implications arising from this report.
Health and Safety:	There are no implications arising from this report.

Statutory Officers' Comments:-	
Head of Paid Service:	The report is satisfactory.
Chief Finance Officer:	The report is satisfactory.
Monitoring Officer:	The report is satisfactory.
Consultees:	None.
Background Papers:	None.
Appendices:	Appendix 1 - National Policy Right to Buy Receipts

1. Introduction

- 1.1 The Government has committed to ensuring that additional retained Right to Buy (RTB) receipts (income from the sale of the Council's housing properties under the RTB or Shared Ownership programmes) are used to replace, on a one-for-one basis, those additional homes sold under the RTB.
- 1.2 A summary of the Government's National Policy on RTB receipts is attached as appendix 1.
- 1.3 This report summarises how the Council intends to utilise its retained RTB receipts.

2 Oadby and Wigston Borough Council's Position

- 2.1 Since the scheme began in 2012, the Council has purchased six properties using RTB receipts.
- 2.2 Most recently in 2021-2022 the Council purchased two properties on Bennett Way.
- 2.3 Over the next four years the Council will need to commit and spend the following amounts of RTB receipts, which it must limit to 40% of the cost of new homes:

	RTB Receipt	Council funding	Total expenditure on New Homes	Deadline for expenditure
	£61k	£92k	£153k	2024
	£289k	£434k	£723k	2025
	£54k	£81k	£135k	2026
	£274k	£411k	£685k	2027
Total	£678k	£1,018k	£1696k	-

- 2.4 The Council has identified a development opportunity on Horsewell Lane which will create approximately six residential properties to be incorporated into the Council's housing stock.
- 2.5 Currently, a New Housing Supply capital programme provision of £2.45m exists that will be utilised to develop the Horsewell Lane site and identify further sites to form part of a pipeline programme of housing new build projects. The 2023/24 – 2027/28 HRA Capital Programme currently sets out that £677k of RTB receipts will be utilised by the New Housing Supply project (and therefore Horsewell Lane

development).

- 2.6 The New Housing Supply project is mobilising internally now that additional project management capacity and expertise has been engaged.
- 2.7 A detailed programme for the project will be developed based on key milestones, such as Purdah, Committee Meetings and governance approvals. Further updates will be provided to the Capital Sub-Committee, to who monitoring of the project has been delegated.
- 2.8 Of the £1.493m of right to buy financial commitments, £677k is committed as part of the New Housing Supply project and the remaining £816k is currently unallocated. The commitments of currently unallocated right to buy receipts will be a focus of the New Housing Supply project and development of supply pipeline.

National Policy Right to Buy Receipts

1. Retaining RTB Receipts

- 1.2 In April 2012, the Government raised the maximum cap on RTB discounts to £75,000 and confirmed that receipts generated by additional sales resulting from the discount increases would be used to fund replacement stock on a one-for-one basis nationally.
- 1.3 Local authorities are able to enter into an agreement with the Government so that they can reinvest funds arising from RTB sales in new affordable housing themselves.
- 1.4 If an authority cannot spend the required amount within 5 years, it must send the receipts to the Department for Levelling Up, Housing and Communities (DLUHC) through a process known as Local Authority Housing Capital Receipts Pooling.
- 1.5 The level of an authority's additional retainable receipts in any year is the total amount of its receipts arising from RTB sales, net of the following 5 elements:
 - **Transaction costs** a set amount per RTB;
 - **Allowable debt** calculated to cover that part of the authority's housing debt it is obliged to pay off that is in excess of the debt its 2012 Self-Financing Payment has allowed for;
 - **Local authority share** calculated to approximate to what authorities would have retained had the pre-2012 pooling system continued when they retained 25% of all net RTB receipts;
 - **Treasury share** calculated to approximate to what authorities would have paid the Secretary of State had the pre-2012 pooling system continued when authorities pay over 75% of all RTB receipts; and
 - **Buy-back costs** calculated to cover incrementally half the costs of buying back former council homes. Retaining additional receipts.
- 1.6 Any additional receipts returned by a local authority, will be passed to Homes England for them to reinvest in replacement stock. Local authorities can bid for these returned receipts by applying to Homes England.

2 Changes on spending retained receipts

- 2.1 From April 2021 the rules on spending retained additional receipts changed:
 - Pooling of RTB receipts will take place annually, replacing the former quarterly system;
 - The timeframe local authorities have to spend new and existing RTB receipts is extended from 3 years to 5 years;
 - The percentage cost of a new home that local authorities can fund using RTB receipts increases from 30% to 40%;
 - Authorities can use receipts to supply shared ownership and First Homes, as well as housing at affordable and social rent;
 - A cap is introduced on the use of RTB receipts for acquisitions to help drive new supply with effect from 1st April 2022 and phased in over 2022-23 to 2024-25

3 How retained additional receipts can be spent

- 3.1 The authority may choose not to build or acquire itself but instead to grant fund another body, such as a housing association.
- 3.2 An authority can contract with a subsidiary (for example, its arm's length management organisation (ALMO)) to deliver homes.

4. Acquisition Cap

- 4.1 The cap on acquisitions will be set as a percentage of the number of homes that a local authority starts or acquires using RTB receipts each year.
- 4.2 The cap came into effect from 1st April 2022. From that point it will prohibit more than 50% of RTB replacements being delivered as acquisitions in financial year 2022-2023. That threshold will reduce progressively over the following 2 years from 50% to 30%, as set out below:

Year	Cap
2021-2022	None
2022-2023	50%
2023-2024	40%
2024-2025 onwards	30%

- 4.3 Local authorities that receive low levels of receipts from RTB sales, may find it more difficult to deliver replacement properties through new build. The first 20 units of delivery in each year will therefore be excluded from the cap for all local authorities.

5 Returning unspent retained receipts

- 5.1 In the fifth year DLUHC will
- determine the level of retained receipts that the authority chose to retain in the first year;
 - subtract from that amount any of those receipts which it has subsequently chosen to return to the Secretary of State;
 - divide the net result by 0.4; and
 - the result of this calculation is added to the cumulative required expenditure for the previous year.
- 5.2 To avoid the calculation of a mandatory return of unused receipts, the cumulative eligible expenditure at the target date must be equal to, or greater than the cumulative required expenditure at the target date (the net retained receipts from year 1 must constitute no more than 40% of the total amount spent by year 5).
- 5.3 Interest is incurred from the due date of the reckonable financial year until the day the returnable amount is actually paid back. It is calculated at 4% above base rate on a day-to-day basis. Any interest paid to the Department will be used to support the provision of new affordable homes.

6 Reporting and Monitoring

- 6.1 A local authority that enters into an agreement will be expected to supply light-touch management information on a quarterly basis in July, October and January, and to complete an Annual Pooling Form following the end of the financial year.
- 5.4 All annual statistical data except the forward look on planned supply will be published as official statistics and will need to be audited and signed off by a senior official such as the s151 Officer.