

<b>REPORT TO:</b>	<b>Cabinet 17 July 2017</b>
<b>AGENDA ITEM:</b>	<b>10</b>
<b>SUBJECT:</b>	<b>Increasing Housing Supply</b>
<b>LEAD OFFICER:</b>	<b>Mark Meehan Director of Housing Need Richard Simpson, Executive Director of Resources</b>
<b>CABINET MEMBER:</b>	<b>Councillor Alison Butler Cabinet Member for Homes, Regeneration and Planning and Councillor Simon Hall Cabinet Member for Finance and Treasury</b>
<b>WARDS:</b>	<b>ALL</b>
<p><b>CORPORATE PRIORITY/POLICY CONTEXT</b></p> <p>The council has a range of statutory duties in relation to homelessness including a duty to secure accommodation for eligible homeless households. Within that range of statutory duties is the requirement to ensure that any emergency temporary accommodation provided for homeless households is suitable, and that certain types of emergency shared accommodation are only provided for a maximum of six weeks for households with dependent children or where a household member is pregnant. A key priority is to meet housing need and reduce pressure on the General Fund. The report outlines plans to increase affordable rent homes available in Croydon to support this priority.</p> <p>Our Community Strategy policy direction aims to ensure protection of vulnerable people and good quality, accessible and joined-up services and information so that agencies can make a difference to local people through coordinated prevention and early intervention. A key priority within this, is to meet housing need.</p> <p>This report will build on the previous work presented to cabinet on June 19<sup>th</sup> under the title "Delivery of Affordable Housing" which sets out for Cabinet how it intends to create affordable homes via an LLP which will be available for local residents on assured shorthold tenancies. The below report plans to build on this scheme.</p>	
<p><b>AMBITIOUS FOR CROYDON &amp; WHY ARE WE DOING THIS</b></p> <p>The proposed investment in the property portfolio detailed below will assist the Council to meet its statutory duties to homeless families, by providing suitable affordable accommodation as well as reducing use of expensive and unsuitable B&amp;B/nightly accommodation.</p> <p>This will address the following Ambitious for Croydon aims and objectives:</p> <p>Croydon's Community Strategy 2016-21 seeks to tackle the lack of affordable housing, overcrowding and rising homelessness by reducing the costs we currently pay in providing suitable temporary accommodation.</p>	

The Council's Ambitious for Croydon outcomes, as set out in the Corporate Plan 2015-18, include providing a choice of home for people at all stages of life and enabling homeless households to access suitable accommodation.

The Ambitious for Croydon performance framework sets targets for reducing the use of emergency accommodation with the aim of reducing costs.

### **FINANCIAL IMPACT**

Dealing with increasing homelessness is currently resulting in significant cost pressures to the Council General Fund. Investment in the provision of 250 properties will allow the Council to reduce the number of households in emergency accommodation (bed & breakfast) by ensuring that households are able to move through the system into temporary accommodation and, ultimately, longer-term tenancy arrangements. This reduction is expected to save £1.2m per annum.

**KEY DECISION REFERENCE NO: 0817CAB.** This is a Key Decision as defined in the Council's Constitution. The decision may be implemented from 1300 hours on the expiry of 5 working days after it is made, unless the decision is referred to the Scrutiny & Overview Committee by the requisite number of Councillors.

## **1. RECOMMENDATIONS**

The Leader of the Council has delegated to the Cabinet the power to make the decisions set out in the recommendations below:

The Cabinet is recommended to

- 1.1 Approve a revolving borrowing facility of £25m to enable the investment in the acquisition of up to 250 properties at market rates.
- 1.2 Agree to the leasing of tranches of purchased units to a limited liability partnership.
- 1.3 Agree to the granting of retained right to buy receipts to the limited liability partnership to use to increase designated affordable housing for borough residents.
- 1.4 Agree the proposed rent levels for the affordable rent properties acquired by the limited liability partnerships to be a maximum of 65% of market rent
- 1.5 Delegate authority to the Executive Director Resources, in consultation with the Cabinet Member for Finance and Treasury, to agree and enter into arm's length loans with respective limited liability partnership at appropriate market normative rates for the purposes outlined in this report.
- 1.6 Delegate authority to the Executive Director Resources, in consultation with the Cabinet Member for Finance and Treasury, to take such steps as are necessary to appropriate land from the Housing Revenue Account to the General Fund to the extent that this is required to successfully implement the above recommendations and proposals set out in this paper.

## **2. EXECUTIVE SUMMARY**

2.1 Local authorities are required to provide accommodation to homeless households in accordance with the provisions of Part VII of the Housing Act 1996. This report looks at the current demand for affordable accommodation in response to homelessness demand. It is proposed to purchase up to 250 properties to boost the supply of affordable housing in the borough. The Council intends to enter into a limited liability partnership (LLP) to enable it to buy up to 250 street purchased properties and rent at affordable rent levels on assured shorthold tenancies for up-to three years.

2.2 The intention is that the properties purchased under this scheme will be managed via the limited liability partnership (LLP) that was proposed as the vehicle to take on the 96 properties that were acquired under the first stage of the Emergency Temporary Accommodation street purchase scheme (ETA1) – see the “Delivery of Affordable Housing” report that was presented at the Cabinet meeting on 19<sup>th</sup> June.

2.3 The LLP will be able to utilise the Council’s retained right to buy receipts, which it is currently unable to spend due to the limited resources in the housing revenue account. The Council aims to provide the initial £25 million to create a revolving investment fund.

2.4 The Council will retain a long term interest in the properties via the freehold of the properties and receive an income stream into the general fund from the LLP. By providing the 250 units of 2 and 3 bed accommodation via an LLP the Council will avoid costs to the General Fund of approximately £1m, once all properties are fully available.

2.5 The rents for the above units will be set at 65% of market rates, and let on assured shorthold tenancies (AST’s) to provide greater certainty to local residents. As the tenancies issued will be AST’s via the LLP, the Council will be able to discharge its housing duty into them and reduce its dependency on expensive emergency accommodation by freeing up vital temporary accommodation.

2.6 When buying the properties, the Council will prioritise Croydon and the surrounding areas, to meet the needs of local residents. All properties procured are assessed under the Housing Health and Safety Rating System (HHSRS) prior to letting. This identifies risks and hazards to health and safety. All properties will have a smoke alarm installed, and properties with solid fuel will also have a carbon monoxide alarm as standard. This is a continuation of the Councils excellent record on fire safety; making sure that residents are kept safe.

2.7 The properties will be let on an assured short-hold tenancy for up to 3 years. This will give families living in insecure B&B and non-secure TA accommodation, greater security and will enable them to make better life choices for their families with the additional security of tenure.

## **3 Background - Supply & Demand**

3.1 The prospect of increasing demand, changing landlord attitudes and competition from neighbouring authorities limits our ability to place households in suitable accommodation. The Council is at risk of becoming increasingly reliant on nightly charged rates for bed & breakfast accommodation for a growing proportion of

households, which is both unsustainable and potentially non-compliant with our responsibilities. There are also limits to the availability of emergency accommodation, which puts the council at risk of having to use commercial hotels in extreme circumstances. Placing families in emergency accommodation is highly detrimental to their welfare and is therefore only ever used as a last resort. This report will set out how the council will be able to reduce the use and reliance of emergency accommodation, by freeing up temporary accommodation by way of providing a supply of affordable units of accommodation to move families into for up-to 3 years.

3.2 The council has in recent years put in several measures to increase the supply of accommodation in the borough but, unfortunately, this isn't of a sufficient quantum to be able to fully meet the level of demand coming through the door. Without providing further supply, the additional households would need to go into expensive emergency accommodation (EA) provision, unless alternative TA or private rented sector (PRS) housing could be sourced. Even though additional resources have been deployed to increase the supply of TA and PRS accommodation, the Council is still falling short of the level of demand. The below table shows the projected shortage of accommodation by bedroom size in 2017/18:

<b>2017/18</b>	<b>Total supply required</b>	<b>Additional Supply required</b>
1 bedroom	1,195	294
2 bedroom	826	275
3 bedroom	625	229
4 bedroom	82	10
5 bedroom	11	0
<b>Total</b>	<b>2,739</b>	<b>809</b>

3.3 Traditionally the council has relied on the housing association sector to increase supply but the rate of new build within the borough has declined significantly and there are constraints in accessing suitable accommodation in the private sector. Accordingly, the quickest route to accessing suitable, affordable long term accommodation, as well as providing the council with a long term asset and capital appreciation, is to build on the experience of the previous ETA scheme operated in 2013 and 2014

3.4 The baseline demand of existing households in emergency or temporary accommodation is calculated to be approximately 2500. New demand has been calculated to be an additional 809 households in 2017/18, rising to approximately 930 from 2018/19 onwards. The projected demand flow for 2017/18 and the medium-term is shown in the table below.

	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>
1 bedroom	1,195	1,370	1,370	1,370
2 bedroom	826	975	970	968
3 bedroom	625	663	663	658
4 bedroom	82	86	86	86
5 bedroom	11	11	11	11
<b>Total</b>	<b>2,739</b>	<b>3,105</b>	<b>3,100</b>	<b>3,093</b>

3.5 The ETA1 model was based on the below assumptions:

- Set up costs – covering the initial purchase price, associated transaction costs and Stamp Duty Land Tax (SDLT) and initial renovations to bring properties to a useable standard.
- Operating and managing costs – covering the costs of regular maintenance and repairs, void reinstatement, major works, insurance and scheme management.
- Debt servicing and repayment costs – covering the costs of borrowing from the Public Works Loan Board over 30 years.
- Rental income – covering the net income resulting from charging the relevant LHA rate, less the assumed void period and a proportion of bad debt.

3.6 Under the programme, 96 units were purchased and refurbished at a total cost of £17.5m. Under ETA1, households accommodated in these properties are non-secure tenants (Part VII Housing Act 1996 as amended) as they do not have security of tenure within the meaning of Section 79 of the Housing Act 1985.

3.7 In June 2017 Cabinet agreed the long lease of those 96 units to an LLP which enabled:

- The use of right to buy receipts, granted by the Council to the LLP, for an element of the premium for the lease to reflect the properties becoming affordable homes;
- The Council having the nomination rights for the homes to reflect the granted RTB receipts;
- The Council, through the lease structure, able to specify the maximum rent levels of the homes;
- The residents living in those properties to move from a non-secure tenancy arrangement to an assured shorthold tenancy for a minimum of three years
- The removal of a cost pressure within the Council from the subsidy being provided from the use of street purchase properties at a sub market rent.
- The Council is able to discharge its housing duty into the supply of properties

3.8 The proposal for this report is to implement an equivalent model to that now in place for the 96 units. The process for this would be:

- The Council purchases the units
- The Council completes any required repairs and refurbishment for the purchased properties
- Pending transfer, the properties are let on a non-secure basis by the Council
- The properties are leased in tranches of [50] to the LLP in return for a premium to reflect the value of the refurbished properties
- The LLP issues the tenants with an assured short-hold tenancy

3.9 To fund the purchases, it is proposed that a revolving housing investment fund of £25m is created using prudential borrowing. At an assumed purchase price of £300-400k per property, this would enable the purchase of 60-70 properties. The periodic

lease of properties in tranches of approximately 50 would see the fund replenished to its initial level. At the completion of the purchase scheme, all debt would be cleared by the premium from the LLP and all borrowing by the Council repaid.

3.10 The LLP would purchase the long lease and pay the premium via right to buy receipts from the Council and loans from either the Council or external third parties. This is the same arrangement as in place for the original 96 units leased to the LLP. The ability to use the right to buy receipts is the key enabler for the LLP to operate at the proposed rent levels without subsidy.

## 4 CONSULTATION

4.1 Not needed

## 5 FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

### 5.1 Property Values

The Councils Asset Management team have provided estimates as to the likely market value of the properties intended to be purchased under this scheme.

<b>Property Size</b>	<b>Max. Value (£)</b>	<b>Stamp Duty* (£)</b>	<b>TOTAL (£)</b>
2 bedroom	360,000	7,000	378,000
3 bedroom	380,000	9,000	399,000

There may also be an opportunity for an exemption to be claimed on the stamp duty levy given that the Council is a registered housing provider and the properties are being purchased in support of this. These estimates represent a blended average over the life of the scheme in order to provide the flexibility required to go to market (and take account of market increases). The Asset Management team will therefore be aiming to deliver properties at a lower cost in the early stages of the scheme. As a control, the project will commit to ensuring that the overall portfolio of properties purchased are within the parameters of the averages shown above (with authority to spend not permitted where a property value will cause this average to be exceeded).

In addition to these costs, it is also estimated that each property purchased will incur legal fees of £650.

### 5.2 Investment

Based on the demand requirements outlined above, the Council has decided that the best value supply would primarily be 2 and 3 bedroom properties. Not only do these represent better value in terms of the capital value, but they would allow the council to reduce the number of 2 and 3 bedroom household in emergency accommodation (bed and breakfast). This represents a bigger savings opportunity than 1 bedroom supply. As a rough guide the scheme would therefore be targeting the following:

<b>Property Size</b>	<b>Number Purchased</b>	<b>Proportion of Portfolio</b>
2 bedroom	188	75%
3 bedroom	62	25%
<b>TOTAL</b>	<b>250</b>	<b>100%</b>

It is anticipated that each property will require an additional level of investment to bring them into usable condition. An average allowance of £8,500 has been modelled for each property (taking into account that some properties may require additional expenditure, but that corresponding savings are likely on the up-front capital cost of those properties). A range of £2,000-2,500 has also been modelled to cover the cost of furnishing each new property.

The cost of delivering this programme of asset purchases at pace over the next two financial years is expected to be £90k per annum. This will allow the Council to appoint a dedicated surveyor to source and purchase the properties required. An alternative approach would be to commission an organisation on a risk/reward basis to identify the properties and support the acquisition process.

The estimated cost of the total programme, included purchasing the homes, is approximately £100m.

This investment would, ultimately, be by the LLP not the Council and therefore the LLP would fund the purchases. This would be funded by:

	£000
Right to Buy receipts	30,000
Debt	70,000
Total premium	100,000

### 5.3 Council Borrowing

The proposal for the Council is not to borrow £100m but to create a revolving investment fund of £25m. This would be sufficient to purchase and refurbish 60 – 70 properties with the intention that the renovated properties are leased to the LLP in tranches of approximately 50 properties. At the point of completing each lease containing 50 properties, the LLP would pay a premium to the Council of approximately £20m which would replenish the fund and enable it to continue purchasing up to 250 properties. Creating a total 5 tranches of properties.

In the interim, the Council would be incurring interest costs on the £25m borrowing of approximately £350k per annum. This would be recovered from the LLP as a set up cost.

Additionally, pending lease to the LLP, the Council would let the units under licence to generate some income to offset the holding costs of the homes and to reduce the costs of households in more expensive emergency accommodation.

### 5.4 The Use of an LLP

By using an LLP structure the Council will be able to utilise the Council's retained right to buy receipts, which it is currently unable to do due to the limited resources in the housing revenue account. If the Council did not use the right to buy receipts in this manner, they would have to be repaid to central government with interest. The Council will retain a long term interest in the properties via the freehold of the properties and receive an income stream in to the general fund from the LLP. As the properties will be under leasehold agreement with the LLP, the tenant will not be able to exercise a right to buy on the units allowing the council to provide secure long term affordable

accommodation for local residents. The cost avoidance to the Council's general fund by way of avoidance of expensive emergency accommodation will be approximately £1m.

## 5.5 LLP Structure

The proposed structure for the LLP is the same as the one approved by Cabinet in June. That programme included the setup costs of the LLP meaning that will not be required again. The legal costs for this scheme will be c£80-100k to develop the series of leases for each tranche depending on the number of transfers and could be achieved within a 3-4 month timescale (meaning it will operational well before the first tranche of properties is ready to transfer - see profile above).

5.5 The table below provides an illustrative profit and loss account for the LLP.

	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000
Rent	(3,510)	(3,598)	(3,688)	(3,780)	(3,874)	(3,971)
Management/Mtnce	500	513	525	538	552	566
Insurance	125	128	131	135	138	141
Voids/Bad Debt	211	216	221	227	232	238
Clienting/Support	50	51	53	54	55	57
Interest	630	630	630	630	630	630
Repayment of loan	169	184	198	212	227	241
Life Cycle fund	176	180	184	189	194	199
<b>Net Rent</b>	<b>(1,650)</b>	<b>(1,697)</b>	<b>(1,745)</b>	<b>(1,795)</b>	<b>(1,846)</b>	<b>(1,900)</b>
Income sold	1,604	1,644	1,685	1,728	1,771	1,815
LLP Retention	25	26	26	27	28	28
<b>Deficit/(Surplus)</b>	<b>(21)</b>	<b>(27)</b>	<b>(33)</b>	<b>(40)</b>	<b>(48)</b>	<b>(56)</b>

Note – this is based on 250 units immediately and does not reflect the likely purchase profile for the scheme.

5.6 It is important to realise that this type of street purchase scheme does not generate significant annual revenue returns and, without the use of right to buy receipts, it would not be viable at rent levels of approximately 65% of market rent. A surplus of £21k on an investment of c£100m is an exceptionally low return on investment.

It is therefore essential to view the financial benefit to the Council of enabling this scheme through the cost reduction or avoidance from expensive temporary and emergency accommodation. The approximate average cost to the Council of each household in emergency accommodation is £4k per annum. By enabling an additional 250 affordable homes in the borough, the Council is reducing or avoiding approximately £1m of expenditure in the general fund.

Additionally, the Council would benefit from between £180k in interest income from the margin applied to the lending to the LLP. For modelling purposes, to enable the LLP to establish as a non-contracting authority, it has been assumed that 55% of funding will be from an external investor with 15% from the Council.

The total financial benefit to the Council is approximately £1.2m.

	£000
LLP Surplus	21
Net interest on LLP loans	180
Saving on homelessness budget	1,000
Total	1,201

### 5.7 Right-to-Buy Receipts

As noted above, the viability of the scheme is heavily dependent on the availability of right to buy receipts that the Council can grant to the LLP. The table below was included in the June Cabinet report on affordable housing:

	2017/18	2018/19	2019/20	2020/21	Total
Receipts b/f	21.398	23.448	23.666	27.166	
New receipts	10.000	10.000	8.000	8.000	36.000
LLP Programme 1	(0.900)	(3.225)	(4.500)	(2.700)	(11.325)
LLP Programme 2	(7.050)	-	-	-	(7.050)
LLP Programme 3	-	(6.557)	-	-	(6.557)
Receipts c/f	23.448	23.666	27.166	32.466	

The unused forecast balance of receipts indicates that £30m of right to buy receipts would be available for use in such a scheme as grant to the LLP.

### 5.8 Impact of purchase price changes

The key variable within the financial is the average cost of £400,000 per unit including purchase price, stamp duty, renovation/refurbishment and programme expenditure. The impact of any reduction or increase in this over the 250 units is shown in the table below.

	-10%	-5%	Base	+5%	+10%
	£000	£000	£000	£000	£000
LLP Surplus	248	134	21	(92)	(206)
Net interest on LLP loans	165	173	180	187	195
Saving on homelessness budget	1,000	1,000	1,000	1,000	1,000
Total	1,413	1,317	1,201	1,095	989

### 5.9 Management of the Scheme

The assumption is the management of the scheme will be retained by the Council and will offer the same seamless service it currently provides tenants of the ETA scheme. The difference for the tenant under this proposal will be their tenancy agreement. Under this proposal, tenants will be offered an AST for up-to 3 years instead of the Non-Secure tenancy via our TA portfolio. This will enable the Council to continue to provide the housing management service, with the ability to discharge its housing duty and provide further security to our residents.

This will require the development of a detailed service specification with appropriate performance standards, between the LLP and the Council, subject to open market terms with the LLP. The LLP will need a level of administration, governance and finance support to ensure the processing of relevant transactions, oversee the finances of the partnership and monitor the contractual performance of the housing manager. It is proposed that this is provided by the Council in the first instance, on market terms.

## 5.10 Risk

The key risks to this proposed scheme are as follows:

- Any fluctuation in the market value of property in Croydon may reduce/increase the number of properties that can be purchased within the parameters of the proposed funding envelope (i.e. the £100m) or reduce the financial benefit achievable (see 5.8 above).
- Similarly, the scheme is dependent on the Council being able to readily identify available properties that meet the requirements of the housing service and purchase them at sufficient pace to deliver the identified revenue savings as soon as possible. If the housing market slows for any reason, vendors may not be incentivised to sell.
- The scheme is dependent on the set-up of the required LLP within the necessary timeframe. This is not expected to be a significant risk given that this process is already underway in relation to the transfer of the 96 properties purchased under the ETA scheme.

(Approved by: Lisa Taylor, Director of Finance, Investment and Risk)

## **6 COMMENTS OF THE COUNCIL SOLICITOR AND MONITORING OFFICER**

### 6.1

The Solicitor to the Council comments that the recommendations set out in this report are within the powers of the Council. Of particular relevance is Section 1 of the Localism Act 2011 which gives the Council (subject to certain restrictions) the power to do anything that individuals generally may do. Section 111 of the Local Government Act is also relevant. Under section 111, the Council may do anything which is calculated to facilitate, or is conducive to or incidental to, the discharge of any of its functions, whether or not involving expenditure, borrowing or lending money, or the acquisition or disposal of any rights or property.

6.2 In implementing the recommendations set out in this report, and in order for the housing units to be accounted for in the Council's General Fund it may be necessary for the Council to appropriate the land upon which those units are to be situated from the Housing Revenue Account into the General Fund. Depending on the circumstances this may need to be done either through the Housing Act 1985 or section 122 of the Local Government Act 1972. Officers will consider if it is necessary to appropriate any particular parcels of land going forward and, if so, the appropriate route to be taken. Any decisions to appropriate will take into consideration any comments made following public notifications of the intention to appropriate. The recommendation in this report delegates authority to the Executive Director of Resources, acting in consultation with the

Cabinet Member of Finance and Treasure, to take such steps as necessary to effect any necessary appropriation from the Housing Revenue Account to the General Fund.

6.3 Although not directly relevant to the recommendations in this report, it should be noted that where the Council provides financial assistance to the LLP to which the land purchased is intended to be leased, the Council must use its power under section 24 of the Local Government Act 1988 (the 1988 Act) to do so. As set out in the earlier Cabinet report of 19<sup>th</sup> of June of this year, which dealt with this setting up of the LLPs, officers will keep under review and take advice as necessary, on the means by which financial assistance is given to the LLPs, ensuring that all arrangements are structured so as to be, amongst other things, State Aid compliant.

6.4 In the context of the existing proposals the also statutory provisions are also relevant:

Section 8 of the Housing Act and Part 7 of the Housing Act 1996 under which the Council is required to consider housing conditions and needs within the Borough including addressing homelessness. Providing accommodation which helps discharge this duty can be via an LLP set up by the Council. This duty can be discharged.

Section 123 of the Local Government Act 1972, under which the Council must obtain the best consideration reasonably available in connection with disposals of land.

(Approved by: Sean Murphy, Principal Corporate Solicitor (Regeneration) on

## **7 HUMAN RESOURCES IMPACT**

7.1 There are no direct Human Resources implications arising from this report for Croydon Council employees

Approved by: Debbie Calliste on behalf of the Director of Human Resources

## **8 EQUALITIES IMPACT**

8.1 This initial assessment has identified that BME, female headed and younger households are over-represented among homeless households and so will benefit from this proposal.

The proposal does not detrimentally affect any households from protected groups or disproportionately affect them compared to other groups.

We will continue to monitor outcomes in terms of the make-up of homeless households

(Approved by Richard Eyre, Strategy Manager, Resources Department)

## **9 ENVIRONMENTAL IMPACT**

9.1 No specific adverse environmental impacts have been identified resulting from the proposals contained in this report.

## **10 CRIME AND DISORDER REDUCTION IMPACT**

10.1 No specific adverse crime and disorder impacts have been identified resulting from the proposals contained in this report

## **11 REASONS FOR RECOMMENDATIONS/PROPOSED DECISION**

- The proposed LLP structure enable the Council to utilise its available right to buy receipts to ensure the delivery of affordable housing in the borough whilst retaining the freehold interest in the properties so it benefits from the long term capital appreciation that is anticipated.
- The leasehold structure also allows the Council to have significant influence over the rent levels and lettings policies of the LLPs to ensure they are appropriate for borough residents.
- The delivery structure also ensures that any revenue surpluses generated by the LLPs flow back to the Council via the lease mechanism.

## **12 OPTIONS CONSIDERED AND REJECTED**

The alternative options considered for the delivery of the units were:

- Do nothing – this would continue to put pressure on the General Fund as we would increase our use of EA, reduce affordable housing created in the borough and require the Council to repay significant sums of unused right to buy receipts.
- Deliver within the HRA – unable to progress due to lack of available borrowing capacity due to government cap.
- Direct right to buy receipts through an existing housing association/registered provider – no provider identified that would deliver units at a sufficient scale to utilise the level of right to buy receipts held by the Council.
- Create a company limited by shares – could not utilise the available right to buy receipts and any surpluses would be subject to corporation tax.
- Create a charity/community benefit society – would be able to utilise the right to buy receipts but any surpluses and capital appreciation of the assets would not benefit the Council.

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### **CONTACT OFFICER:**

<b>Name:</b>	Mark Meehan
<b>Post title:</b>	Director of Housing Needs

**APPENDICES TO THIS REPORT: none**

**BACKGROUND PAPERS - LOCAL GOVERNMENT ACT 1972: none**