

Local Authority Grants Programmes Utilising Right To Buy Receipts.

Capital receipts arising from Right To Buy sales can be used by local authorities to fund the development of affordable housing, both new build and refurbishment of existing stock.

In 2016 Leeds City Council launched an innovative capital grants programme using their receipts from RTB sales to provide grants of up to 30% of the cost of each project, to assist community housing organisations wishing to purchase and refurbish vacant properties in the city to create new affordable homes. Four local organisations (Canopy, Latch Gipsil & St Georges) were involved in the first phase of the programme, which aimed to create 20 additional new homes over two years. (Similar grants were also made available to five registered providers to create another c100 homes).

Organisations taking advantage of the programme are then left to raise the remaining 70% of project costs via loans and grants from other sources.

In 2017, Hull City Council set up a similar programme for both community housing organisations with a proven track record for delivery and for local registered providers, to undertake new housing or housing refurbishments.

Importantly there's no requirement for organisations in receipt of funding to be registered providers.

What Powers Can Local Authorities Use To Create Such Programme?

It's an option open to local authorities with capital receipts arising from the sale of their properties. It makes especially good sense, since receipts unspent after three years have to be returned to the Treasury!

In March 2012 the Government introduced "*Reinvigorating RTB*" and a revised set of rules enabled local authorities to retain all surplus RTB receipts, if the receipts were used for "one-to-one" replacement. In order to retain these surplus RTB receipts, each authority had to enter into a "*Right to Buy Agreement*" with the Government.

The RTB Agreement sets out the conditions on which the receipts can be used. These include:

- The grant funding element from the local authority, or any other public body, cannot exceed 30% of the total amount invested in the eligible capital project costs of new affordable rented housing for the benefit of the Authority's area.
- They can be used on the local authority's own spend, or that of an external body (but not a body in which the authority has a controlling interest).

- They can be used in support of both new build and refurbishment affordable housing projects, but refurbished property must not be existing social housing properties.
- They can't be used in combination with funding from the Homes England. However a split development site with more than one project could qualify, so long as it is shown that the funds are not merged.
- RtB receipts must be spent within 3 years of receipt, or returned to Government with interest.

Furthermore, to enhance the use of receipts, *a Council may also be able to gift land* to an external body, in addition to funding up to 30% of the total scheme costs from the available receipts, although it would be necessary not to infringe the rules relating to State Aid.

The way is open for other local authorities to put in place similar programmes. It is hoped that the example set by Leeds and Hull will persuade other local authorities that this is a viable way of supporting community based housing projects.

Below are details of how the Leeds CC scheme operates.

September 2018.

Annex

Leeds City Council Right-To-Buy Capital Grants Funding Initiative For Purchase & Repair Of Properties

- Leeds CC has created a capital grants programme, utilizing their Right To Buy Receipts, to increase the supply of affordable housing.
- The Programme is open to external organisations wishing to develop affordable housing, which do not have to be registered providers but must meet a set criteria to ensure they are fit & proper landlords
- Both new build and refurbishment projects are eligible for funding. The latter specifically includes long term empty property.
- The grant funding element from Leeds CC cannot exceed 30% of the total eligible scheme costs of the project and grant cannot be combined with HCA funding.
- Leeds CC enters into a legal agreement and pays at defined Key Milestones, the first requirement is start on site
- Leeds CC requires recipients to enter into a nomination agreement for a period of 60 years from the practical completion date in relation to 100% of all new lettings and 75% of subsequent lettings of the homes delivered.

- Leeds CC have devised a customised Grant Application Form which sets out all eligible costs (acquisition, cost of works & on-costs) and also a Monitoring Form (see below).

Information For Applicants



Right to Buy Replacement Programme Grant Fund

Information for Applicants

In compiling your application please take note of the following key points. In many instances these are essential to ensure compliance with Government funding rules. NB delivery timescales for projects are very important and must be adhered to in order to trigger grant payments:

- 1 The Council will require you to enter into a nomination agreement active for a period of 60 years from the Practical Completion Date in relation to 100% of all new lettings and 75% of subsequent lettings of the homes delivered.
- 2 The grant funding element from the Council, or any other public body, cannot exceed 30% of the total amount invested in the capital delivery of the project.
- 3 Funding from the Right to Buy Replacement Programme Grant Fund cannot be used in combination with funding from the HCA. However a split development site with more than one project could qualify so long as funds from the Council and HCA are not invested in delivering the same project.
- 4 Payment of grant will be at pre-agreed stages which will form part of your grant agreement with the Council.
- 5 Funds can be spent on new build property or on the refurbishment of a property. Refurbished property must not be social housing properties at the time of the expenditure.
- 6 Strict time limits will apply to the delivery of the project and funding claims in accordance with Government funding rules for the RTB funding. The final deadline for the current round of expenditure is July 2017 although funds will need to be drawn down and spent from 2015 onwards.
- 7 Your organisation will be required to report delivery details at the end of each quarter relating specifically to:-

- starts on site;
 - spend on each individual project
- 8 As a minimum your organisation must agree to provide financial records/accounts and any other records requested relating to each project at the Council's financial year end. The Council's external Auditors may need to inspect your organisations financial accounts relating to the project(s) in order that the Council complies with the Government Capital Receipts Pooling requirements and the subsequent audit requirements.
- 9 Planning application progress: whilst we do not require planning to be submitted progress toward planning application submission/planning approval is important and therefore your application should clearly describe where you are in respect to the planning application process including pre app discussions and any key planning issues.

Eligible expenditure

The amount spent on social housing includes the following:

- a) Development costs associated with the acquisition of dwellings to be used as social housing;
- b) Development costs associated with the acquisition of land for the construction of dwellings to be used as social housing;
- c) Development costs of construction of dwellings to be used as social housing.

Development costs mean the costs relating to the development of social housing in respect to the heads of expenditure set out below:

Heads of expenditure

Acquisition

- Purchase price of land/site
- Stamp duty land tax on the purchase price of the land/site

Works

- Main contract costs (excluding any costs defined as on costs)
- Major site development works (where applicable). These include piling, soil stabilisation, road/sewer construction, major demolition
- Statutory agreements, associated bonds and party wall agreements (including all fees and charges attributed to such works) where applicable.
- Additional costs associated with complying with archaeological works and party wall agreement awards (including fees charges and claims attributable to such works) where applicable

- Unrecoverable VAT on the above (where applicable)

On costs

- Legal fees and disbursements
- Net gains losses via interest charges on development period loans
- Building society or other valuation and administration fees
- Fees for building control and planning permission
- Fees and charges associated with compliance with European Union directives, and any requirements relating to energy requirements of dwellings, Eco-homes certification and Housing Quality Indicators.
- In-house or external consultant's fees disbursements and expenses (where the development contract is a design and build contract) see note 1 below
- Insurance premiums including building warranty and building defects liability insurance (except contract insurance included in works cost)
- Contract performance bond premiums
- Borrowing administration charges (including associated legal and valuation fees)
- An appropriate proportion of the development and administration costs of the Authority or the body in receipt of funding from the Authority
- Irrecoverable VAT on the above

Note 1

Where the development contract is a design and build contract the on-costs are deemed to include the builders design fee element of the contract sum. The amount included by the builder for the design fees should be deducted from the works cost element referred to above, as should other non-works costs that may be submitted by the builder such as fees for building and planning permission, building warranty, defects liability insurance, contract performance bond and energy rating of dwellings.

Note 2

Some items will not qualify as development costs unless the Authority can clearly demonstrate that such costs are properly chargeable to the social housing, i.e. for the sole use of residents or to comply with any statutory obligations that may have been imposed.

Examples of these are:

- Works to roads which do not exclusively serve the social housing
- Landscaping to areas of land which lie outside the boundaries of the land on which the social housing site is located.

- District heating systems
- Trunk sewers and sewage disposal works
- Special refuse treatment buildings
- Public conveniences
- Community halls, club rooms, reception rooms

Note 3

Subject to the above where any cost incurred or to be incurred by the Authority or a body in receipt of funding from the Authority is common to both the development of the social housing and to any other activity, asset or property of the Authority or a body in receipt of funding from the Authority only such part of that cost as is attributable to the development of the social housing may be treated as a cost in which the retained amount may be paid.

Key Assessment Criteria:

-Timescales: As outlined on page 1 strict timescales apply to spend of RTB funding and therefore delivery within agreed timescales is essential. (The grant agreement will specify dates for drawdown of funding and expenditure).

-Value for Money: A development appraisal may be required if your project is selected at the EOI stage to go forward to a full application – the level of match funding required – development offer e.g. additional benefits that the project will deliver for the community.

-Affordability: The Council has a preference for the properties to be let at a social rent.

-Deliverability: Confirmation of funding availability and strength of project partnership and organisational record of delivery. Land availability/ownership.

-Quality standards: The Council is committed to promoting excellence in respect of design quality, space standards and environmental efficiency. As a minimum all schemes will be expected to meet the Leeds Standard which is currently being finalised. (The attached Leeds Standard matrix sets out the purpose and key objectives of the standard and references policy documents adopted standards and specifications).

-Alignment with Council Priorities: Including LCC planning framework, housing strategy, affordable housing priorities, housing demand data, LCC tenure strategy.

-Learning, Training and Employment: Please refer to the Council's webpages:

<http://www.leeds.gov.uk/Business/Pages/Apprenticeships.aspx>

<http://www.leeds.gov.uk/Business/Pages/recruitmentsupport.aspx>

<http://www.leeds.gov.uk/Business/Pages/Investing-in-the-next-generation.aspx>

For further information:

<http://www.leeds.gov.uk/residents/Pages/Right-to-buy-grant-programme.aspx>

Contact: Mark Ireland at Leeds CC Mark.Ireland@leeds.gov.uk

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