

WYRE FOREST DISTRICT COUNCIL**COUNCIL MEETING**
WEDNESDAY 20TH MAY 2009**Right to Buy Proposal from the Community Housing Group**

OPEN	
SUSTAINABLE COMMUNITY STRATEGY THEME	Communities that are Safe and Feel Safe
CORPORATE PLAN AIM:	A Well Run and Responsive Council
CABINET MEMBER:	Councillor John Paul Campion
DIRECTOR:	Walter Delin, Chief Executive
CONTACT OFFICER:	Walter Delin 2700
APPENDICES	None

1. PURPOSE OF REPORT

- 1.1 To consider a proposal from the Community Housing Group (CHG) in relation to future Right to Buy receipts in respect of the Neighbourhood Warden Service, operated by the CHG.

2. RECOMMENDATIONS

The Council is asked to DECIDE

- 2.1 **The proposed scheme be accepted without RPI increases**
- 2.2 **The 50/50 splitting of any surplus at the end of 5 years be capped at £100k. Above this figure 100% of the surplus be returned to the Council.**
- 2.3 **The position be reviewed at the end of the 5 year period and a further decision be made on whether to continue the scheme.**
- 2.4 **The Director of Legal and Corporate Services be authorised to complete the variation of the existing scheme.**

3. BACKGROUND

- 3.1 The Council has an agreement with the CHG to joint fund the provision of the Neighbourhood Warden Service. The service is funded by a levy of £1.68 per fortnight on top of Housing Rents, combined with a contribution of £100,000 per annum from Wyre Forest District Council.
- 3.2 The Council's contribution is currently funded from Right to Buy (RTB) sales from the housing stock. The CHG retain the first £100k of RTB sales in any one year with the balance paid across to the District Council at the end of the financial year. Any surplus funds are added to the Council's usable Capital receipts.
- 3.3 During 2008/09 there have been insufficient RTB sales to generate the £100k required to fund WFDC's contribution towards the Neighbourhood Warden Service.

In addition given the current economic climate there is doubt whether receipts of £100k would be generated in 2009/10. In this position CHG would stand any shortfall on the year.

- 3.4 For information shown in the table below is a history of RTB sales since the Large Scale Voluntary Transfer of the housing stock in March 2000.

Year	No. of Sales	Total Payments £	Average per unit £
2000 - 2001	97	612,883	6,318
2001 - 2002	140	1,399,971	10,000
2002 - 2003	124	1,908,892	15,394
2003 - 2004	123	2,876,860	23,389
2004 - 2005	93	2,593,989	27,892
2005 - 2006	51	1,642,234	32,201
2006 - 2007	23	1,035,209	45,009
2007 - 2008	10	460,167	46,017
2008 - 2009	2	90,024	45,012

- 3.5 The table above shows that in 2008/09 there was a contribution of only £90k from WFDC against the expected contribution of £100k. CHG will meet the shortfall.
- 3.6 Since the transfer the RTB receipts have been used to support the Council's capital programme, however, it is evident that the number of sales recently has reduced significantly.
- 3.7 Information provided from CHG suggests that that there are 1,572 properties which currently still benefit from a Preserved Right to Buy but of these approximately 1,130 are OAP's and within the remainder, circa two-thirds would be on Housing Benefit. Of the 145 left CHG have indicated that a significant proportion are employed but on low income and as such are not practically able to purchase. This leaves a potential 'future RTB market' of approximately 120.
- 3.8 It should be noted that the Neighbourhood Warden Service makes a valuable contribution towards the Community Safety role of the Council.
- 3.9 CHG are seeking a change in the way that this service is funded due to the risk that in any one year there are insufficient funds from the RTB sales to provide the £100k of funding required from WFDC to support the service. In the event that the Council no longer supports this initiative it is likely that the tenants will be re-balloted on the future of the scheme.

4. KEY ISSUES

- 4.1 CHG have now approached the Council with a proposal to vary the current scheme in two main ways.
- 4.2 Firstly it is proposed to increase the amount to be retained annually to £130k per annum. This would cover not only the contribution towards the Neighbourhood Warden Service, but also cover a £30k contribution towards Wyre Forest Matters, our Local Strategic Partnership to fund the LSP Co-ordinator.

4.3 The more significant change however relates to the period over which RTB sales are considered. The basis of the proposed scheme is as follows:

- (i) In each of the 5 years beginning April 2009, the first £130k arising from surplus RTB funds will be designated by CHG to the Neighbourhood Warden Service (£100k) & Wyre Forest Matters Co-ordinator (£30k).
- (ii) CHG will honour this designation even if the RTB funds in a particular year do not reach £130k.
- (iii) In any single year, any RTB surpluses in excess of £130k will be transferred to a specific holding account to be named .eg ' Surplus RTB monies' account.
- (iv) If, in any single year, RTB surpluses do not reach £130k, TCHG will use any funds held within the 'Surplus RTB monies' account.
- (v) At the end of 5 years, March 2014, any excess funds held in the 'Surplus RTB monies' account will be allocated 50/50 between TCHG & WFDC.
- (vi) WFDC will utilise its 50% share in its capital development programme.
- (vii) These figures are subject to annual RPI increases based on the September RPI declared rate.
- (viii) The calculation each year will be submitted to WFDC for scrutiny & agreement.

4.4 To assist in the consideration a worked example of how the scheme would operate is shown below:

EXAMPLE ONLY	No of RTB Sales	Value of RTB Sales £'000	Total (b/fwd plus in year receipts) £'000	Less warden cost and WF Matters £'000	Balance (c/fwd) £'000
Year 1	6	165	165	(130)	35
Year 2	4	125	160	(130)	30
Year 3	3	90	120	(130)	(10)
Year 4	7	240	230	(130)	100
Year 8	4	140	240	(130)	110

4.5 In this worked example under the proposals detailed above there is a £110k surplus at the end of the 5 year period, which would then be split 50% to CHG and 50% to WFDC for capital schemes.

5. FINANCIAL IMPLICATIONS AND RISK

5.1 The Council currently does not budget for any RTB sales, therefore in each year the surplus is currently added to the Housing Capital receipts.

- 5.2 There is currently a risk that in any one year there is insufficient RTB sales to meet the Council's contribution towards the Neighbourhood Warden Service. If this position continues then this could jeopardise the provision of the service. However, under the proposed scheme CHG would meet any shortfall.
- 5.3 The situation could arise where there is a significant surplus at the end of the 5 year period. Whilst this is mitigated to an extent by the 50/50 split, the provision of a cap at £100k would reduce the risk that the Council would lose control on how these receipts were utilised.

6. LEGAL IMPLICATIONS

- 6.1 The proposed scheme would be a variation to the existing scheme and would require the consent of the Secretary of State.

7. CONCLUSIONS

- 7.1 The proposed scheme would ensure continuation of the Neighbourhood Warden Service and provide a valuable contribution to the Wyre Forest Matters Co-ordinator's post.

8. CONSULTEES

- 8.1 CMT
- 8.2 Cabinet Members

9. Background Papers

Right to Buy Clawback Agreement March 2000 (as amended).
Proposal by CHG 10th March, 2009.