

READING BOROUGH COUNCIL

REPORT BY EXECUTIVE DIRECTOR FOR ECONOMIC GROWTH & NEIGHBOURHOODS

TO:	POLICY COMMITTEE		
DATE:	18 JANUARY 2021		
TITLE:	SITES TRANSFER - APPROPRIATION OF LAND FROM THE GENERAL FUND TO THE HOUSING REVENUE ACCOUNT		
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1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 This report seeks approval to appropriate four vacant sites, earmarked for housing in the Local Plan, from the General Fund to the Housing Revenue Account, in order that they can be considered for the development of new council housing. This will result in an ongoing saving to the General fund of approximately £462,000.
- 1.2 Appendix 1 presents the anticipated market value of the sites and the calculation of the proposed ongoing revenue saving.

2. RECOMMENDED ACTION

- 2.1 That the following vacant sites be declared surplus to General Fund requirements:
 - Battle Street
 - Amethyst Lane
 - Hexham Road
 - Dwyer Road
- 2.2 That the above sites be appropriated from the General Fund into the Housing Revenue Account with an effective date of the 1st April 2020, in order that they can be considered for the development of new council housing.
- 2.3 That the Assistant Director of Legal and Democratic Services be authorised to enter into the necessary legal agreements to undertake the appropriation.

3. POLICY CONTEXT

- 3.1 Improving access to decent affordable housing is a corporate priority for the local authority and a key theme of the Council's Housing Strategy. The Council has a local

authority new build programme which has delivered 138 homes over the last four years with another 148 homes currently in progress.

- 3.2 A Council can appropriate sites from the General Fund to the Housing Revenue Account (HRA) under powers set out in Section 19(1) of the Housing Act 1985, providing the land and property to be transferred into the HRA is for the purposes of Part II of the Housing Act 1985. The purposes within the act predominately, but not exclusively, relate to the delivery/ provision of accommodation, and associated infrastructure and services.
- 3.3 Under section 122 of the LGA 1972, appropriation may be made where the land is no longer needed in the public interest of the locality for the purpose for which it is held immediately before appropriation.
- 3.4 For these sites to be transferred for direct development by the Council's own Housing Revenue Account (HRA), the sites must be deemed surplus to the General Fund's requirements, and no longer required for their previous purposes.
- 3.5 Capital receipts resulting from sites disposed of by the HRA, undeveloped, are treated as a corporate resource.
- 3.6 The recommendation to appropriate these sites follows the completion of the Adult Services Accommodation review which is contained in a linked report with a recommendation to develop new sheltered housing and accommodation and support services for older people and vulnerable adults

4 PROPOSAL

- 4.1 The Council's local plan has designated several sites across the Borough for future housing delivery. Four such sites are currently held in the Council's General Fund, none of which have previously been used for Housing Purposes.
They are:
 - Battle street
 - Amethyst Lane
 - Hexham Road
 - Dwyer Road
- 4.2 The estimated market value of these sites is set out in Appendix 1.
- 4.3 All four sites have been deemed surplus to General Fund (GF) requirements as they are no longer required for their previous purpose.
- 4.4 It is proposed that the four sites are appropriated from the GF to the Council's HRA for them to be considered for future housing development.
- 4.5 Land and property transferred in this way is essentially treated as if the Council had acquired the property from a third-party using money borrowed, and results in a transfer of debt between the General Fund's Capital Finance Reserve (CFR) and the HRA's CFR.
- 4.6 The reduction in General Fund CFR results in a corresponding reduction in annual debt costs. The saving is a combination of reduced interest payable and Minimum Revenue Provision (MRP) that is required to be set aside. The ongoing annual saving is anticipated to total £462,000, the calculation of which is set out in Appendix 1.
- 4.7 Due to the increase in HRA CFR, the annual cost of debt falling on the HRA would increase by approximately £342,000. The reason that it costs less to hold an asset in the HRA than it does to hold it in the General Fund is because the requirement to set

aside MRP is only applicable to debt held in the General Fund and is not required for HRA debt.

4.8 As appropriations take place with effect from either the 1st April or the 31st March of each financial year, the recommendation is that the four sites highlighted in this report, be appropriated with an effective date of the 1st April 2020, thus ensuring that the General Fund benefits from the full year's interest and MRP saving of £462,000 in the current financial year (2020/21).

4.9 It should be noted that if the sites are subsequently disposed of by the HRA, undeveloped, the resulting capital receipt would be treated as a corporate resource. This can be used to fund any part of the Capital Programme without any subsequent adjustment of CFRs being required, providing the receipt is used for affordable housing or regeneration projects. This is set out in Part 4 of the Local Authority (Capital Finance and Accounting) (England) Regulations 2003.

5. CONTRIBUTION TO STRATEGIC AIMS

5.1 Appropriation of the sites as stated in the proposal, for the intention of delivery of additional Affordable Housing, would support the following of the Council's corporate objectives:

1. Ensuring access to decent housing to meet local needs
2. To protect and enhance the lives of vulnerable adults and children
3. Keeping Reading's environment clean, green and safe
4. Ensuring the Council is fit for the future

5.2 It would also support the delivery of the following strategic aims:

- To promote equality, social inclusion and a safe and healthy environment for all

6. ENVIRONMENTAL AND CLIMATE IMPLICATIONS

6.1 There are no direct environmental or climate implications resulting from this decision. However future developments on the identified sites would form part of the Council's Local Authority New Build Programme, which works to sustainability standards above those set out in Planning Policy where possible and deliverable.

7. COMMUNITY ENGAGEMENT AND INFORMATION

7.1 No consultation or engagement activities are required for this decision, any future developments on the identified sites would be subject to a local resident consultation.

8. EQUALITY IMPACT ASSESSMENT

8.1 No Equality Impact Assessment is required for this decision as no negative impact on any of the protected groups set out in the Equality Act 2010, Section 149, have been identified.

9. LEGAL IMPLICATIONS

9.1 A local authority can allocate land held for specific purposes under different statutory powers - i.e. under section 122 Local Government Act 1972 (LGA 1972) or section 19(1) of the Housing Act 1985 (HA) Part II.

9.2 Under section 122 of the LGA 1972, appropriation may be made where the land is no longer needed in the public interest of the locality for the purpose for which it is held

immediately before appropriation. In this regard, a broad view of local need (taking account of the interests of all residents in the locality), has to be taken and officers consider that this test has been met. Officers are also satisfied that the use of appropriation would be in the public interest and proportionate to the objectives of the redevelopment scheme for the purpose of the Human Rights Act 1998.

- 9.3 Section 19(1) of the HA Part II permits a local housing authority to appropriate for the purposes of this Part any land for the time being vested in the local housing authority or at its disposal.
- 9.4 If the appropriation is carried out under section 19(1) of the HA then we must establish whether consent of the Secretary of State under section 19(2) of the HA is required. If any of the properties contain a lock-up garage which is integral or attached to a dwelling or is within the curtilage of a garden of a dwelling, then the consent of the Secretary of State would be required under section 19(2).
- 9.5 Therefore, provided each property can be classed as non-dwelling properties, appropriation can be done under section 122 of the LGA 1972 without requiring consent.
- 9.6 The general procedural requirements are as follows:
 - (a) The decision to appropriate land is subject to judicial review
 - (b) In deciding the purpose for the appropriation, the Council must be able to demonstrate that it has taken all the relevant considerations into account and not taken any irrelevant considerations into account.
 - (c) The Council is the sole judge of whether the land is still required for the purpose for which it is held immediately before the appropriation and its decision cannot be challenged in the absence of bad faith.
 - (d) The minutes should show that the land is not currently appropriated for planning purposes and that the Council intends to formally appropriate the land under section 122 LGA 1972. If section 122 is being utilised the minutes must record the resolution that the land is no longer required for the purpose for which it is currently appropriated and therefore surplus to requirements.
- 9.7 The Assistant Director of Legal and Democratic Services should be authorised to enter into the necessary legal agreements.

10. FINANCIAL IMPLICATIONS

- 10.1 The financial implications of the recommendations are discussed within this report and presented in Appendix 1.
- 10.2 It should be noted that the anticipated ongoing debt saving to the General Fund of £462 and additional cost to the HRA of £342k will be realised in the current financial year, due to the recommendation that the appropriation be undertaken with effect from 1st April 2020. The £462k will improve the general fund budget monitoring position once the appropriation is agreed and a corresponding budget reduction has been reflected in the budget papers. The £342k additional cost to the HRA will also need to be reflected in the budget monitoring reducing the contribution to the HRA reserve and will also be reflected in future years budget.
- 10.3 It should be noted that if the sites are subsequently disposed of by the HRA, undeveloped, the resulting capital receipt would be treated as a corporate resource. As stated above any corporate resources can be used to fund any part of the Capital Programme without any subsequent adjustment of Capital Finance Reserves (CFR) being required, providing the receipt is used for affordable housing or regeneration projects. This is set out in Part 4 of the Local Authority (Capital Finance and Accounting)

(England) Regulations 2003. The Local Authority (Capital Finance and Accounting) (England) Regulations 2003 defines both the provision of affordable housing and regeneration as follows:

Provision of affordable housing

“the provision of dwellings to meet the housing needs, as identified by the local authority, of persons on low incomes, whether provided by the authority or a social landlord registered under section 1 of the Housing Act 1996 (the register of social landlords)”

Regeneration projects

“any project for the carrying out of works or activities on any land where:

- a) the land, or a building on the land, is vacant, unused, under-used, ineffectively used, contaminated or derelict; and
- b) the works or activities are carried out in order to secure that the land or the building will be brought into effective use”

10.4 The costs which can be counted under both affordable housing or regeneration projects are: -

- (i) constructing or improving dwellings, or providing dwellings by the conversion of a building or a part of a building;
- (ii) making a gift of land;
- (iii) paying a contribution, grant or subsidy under any power conferred on the authority under any enactment; or
- (iv) giving consideration for any benefit that the authority has received, or will receive, by virtue of the project.

11. BACKGROUND PAPERS

11.1 Adult Social Care Asset Review and Capital Strategy .

FINANCIAL IMPLICATIONS

The financial implications arising from the proposals set out in this report are set out below:

1. General Fund Revenue Implications

Use this Table in the report or as an Appendix to set out the revenue implications:

	2020/21 £000	2021/22 £000	2022/23 £000
Employee costs (see note1)	0	0	0
Other running costs	0	0	0
Capital financings costs	(462)	(462)	(462)
Expenditure	(462)	(462)	(462)
Income from:			
Fees and charges (see note2)	0	0	0
Grant funding (specify)	0	0	0
Other income	0	0	0
Total Income	0	0	0
Net Cost(+)/saving (-)	(462)	(462)	(462)

2. Capital Implications

Capital Programme reference from budget book: page line	2020/21 £000	2021/22 £000	2022/23 £000
Proposed Capital Expenditure	0	0	0
Funded by			
Grant (specify)	0	0	0
Section 106 (specify)	0	0	0
Other services	0	0	0
Capital Receipts/Borrowing	0	0	0
Total Funding	0	0	0

Financial Implications of Recommendations

Estimated Market Value of Sites

	£
Battle Street	5,500,000
Amethyst Lane	3,000,000
Dwyer Road	1,300,000
Hexham Road	1,600,000
Total Value	11,400,000

Estimated Annual Saving to General Fund

	£
Value of Debt Transferred	11,400,000
Interest Saving (3%)	342,000
MRP Saving (2%)	120,000
Total Annual Saving	462,000

Estimated Annual Cost to HRA

	£
Value of Debt Transferred	11,400,000
Interest Saving (3%)	342,000
MRP Saving (0%)	0
Total Annual Cost	342,000