

Appendix 7 Acquisitions and Debt Repayment

An acquisitions policy is recommended to be put in place to ensure that the Housing Authority is making appropriate use of the retained Right to Buy (“RTB”) Receipts in accordance with the amended terms of the Retention Agreements concluded between the Secretary of State and authorities under section 11(6) of the Local Government Act 2003 to enable them to retain RTB receipts, the statutory guidance issued by the Secretary of State in relation the retained RTB receipts and the amendments to the Local Authorities (Capital Finance and Accounting) Regulations 2003 that came into force on 30 June 2021. The changes to the use of RTB receipts allows the Housing authority to use the receipts, subject to the Acquisition Cap in force on 1 April 2022 and phased in over 2022-23 to 2024-25, to fund the full costs of acquisitions on:

- Homes for social or affordable rent: which is low cost rental accommodation that is not accommodation to which the Rent Policy Statement does not apply.
- Homes for shared ownership sale: The construction or acquisition of a dwelling for the purposes of granting a shared ownership lease to a person whose needs are not adequately served by the commercial housing market where the premium (which is a portion value of the market value of that dwelling) does not exceed 75% of the market value of the dwelling
- Homes for sale as First Homes: “First Home” means a dwelling which is disposed of as a freehold or (in the case of a flat only) as a leasehold property:
 - (a) to a first-time buyer as defined by paragraph 6 of Schedule 6ZA to the Finance Act 2003,
 - (b) at a sale price that is at least 30% below open market value,
 - (c) at a sale price that does not exceed £420,000 if it is situated in Greater London or £250,000 if situated elsewhere or such other amount as may be published from time to time by the Secretary of State, and
 - (d) subject to a condition restricting resale other than as a First Home.

Acquisitions Cap: The cap will come into effect from 1 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 two years from 50% to 30%, as set out below:

2021-2022	No cap
2022-2023	50% cap
2023-2024	40% cap
2024-2025 onwards	30% cap

The first 20 units of delivery in each year will be excluded from the cap for all local authorities. Local authorities will still be allowed to acquire properties above the cap, but they will not be able to use retained additional receipts to do so. Some types of acquisitions which still result in the authority contributing to net supply are exempt from the cap. Acquisitions of new build from a local authority’s own housing company or arm’s-length management organisation (ALMO) or from regeneration projects that contribute to net supply are exempt. Acquisitions of new build from a private developer are not exempt. If an authority exceeds the cap, it will be in breach of its Retention Agreement with the Secretary of State.

It was noted at March Cabinet 2021 within the report setting out Croydon's General Fund and HRA budget that: *'No new capital schemes will be added to the PROGRAMME without a business case being approved, a report being submitted to cabinet and then the funds will be released subject to the revenue costs of any scheme being affordable, this applies to both General Fund and HRA capital schemes'*

Debt Repayment:

The HRA became self-financing and took on initial debt relating to existing Stock. Originally an additional debt was restricted by a borrowing cap which was lifted in April 2019. The Plan has an opening debt position of £322.6m

A policy is required as to whether repayment of debt should be provided for or whether the debt refinancing only will be pursued. This has not been directly addressed in this iteration of the Plan, but will form a future piece of work to be done in conjunction with the Council's wider Treasury management strategy. While there is a requirement of 4% debt repayment in the general fund there is no requirement in the HRA. There is however potential for debt repayment if the plan is sufficiently stocked with new acquisitions which are profit generating.

The overall level of reserves is positive at the end of the 30 year term highlighting that the plan generates sufficient revenue to meet all its obligations (but could not fully repay the full value of the HRA debt outstanding if the council so wished). This combined balance is projected at c£65m by year 30.

The proposition within this analysis is that, whilst there is theoretically now no limit to borrowing within the HRA, the existing asset and operating base generates a net income stream that does offer a logical limit on sustainable and prudential borrowing levels. In setting out its investment strategy, the council therefore needs to consider how it will take decisions on whether to invest, how to fund, the extent of new borrowing, and determine a framework within which decisions will be taken for the business plan overall, within the medium term financial strategy and within successive budget rounds