

REPORT TITLE: NEW ACQUISITIONS/BUY BACKS FOR COUNCIL HOUSING

16 JULY 2024

REPORT OF CABINET MEMBER: Cllr C WESTWOOD

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WARD(S): ALL

PURPOSE

This report directly supports the council priority of delivering Homes for All.

The Council is corporate landlord for circa 5,000 homes and has a development programme to secure new homes through acquisition or build. It is well known that construction costs are high and sites for development are limited and from time to time, council properties purchased under the Right to Buy scheme and other “off the shelf” second hand homes become available on the open market for purchaser. This report proposes that the council actively pursues the opportunity to buy these homes to return them to the affordable housing stock if suitable to meet housing needs.

This approach complements other new council house provision, including commissioned schemes and off the shelf purchases of new homes. As well as increasing the overall council housing stock benefits would include speed of delivery, meeting specific housing needs where location is important and rebalancing housing stock where there are large proportions of housing in multiple occupation (HMOs).

Specifically authority is sought to buy 2 properties to increase the number of council owned homes to assist in meeting identified housing need and to delegate authority to the Strategic Director with responsibility for Housing, to approve the purchase of 2 additional homes subject to availability and viability.

RECOMMENDATIONS:

That Cabinet:

1. Approves HRA capital expenditure of up to £0.680 m for the purchase of 2 properties and associated costs as identified in the exempt appendix, using the HRA new build unallocated schemes budget, subject to each purchase demonstrating a positive net present value including cost of necessary works.
2. Approves HRA capital expenditure of £ 0.680m for the purchase of 2 properties yet to be identified using the HRA new build unallocated schemes budget, subject to each purchase demonstrating a positive net present value including cost of necessary works.
3. Delegates to the Corporate Head – Asset Management and the Strategic Director with the responsibility for housing the authority to make offers for the unidentified properties and to complete purchase the 4 properties.

IMPLICATIONS:1 COUNCIL PLAN OUTCOME

1.1 Tackling the Climate Emergency and Creating a Greener District

Any properties purchased would be subject to full inspection and after purchase they will become part of the HRA property portfolio. If appropriate and as either part of void works or within future programmes will be retrofitted in line with the rest of the Council's stock to ensure they meet current and future energy standard.

The properties to be acquired will form part of the Council's ambition to deliver 1000 new homes over the 10-year programme to meet housing needs in the district.

1.2 Vibrant Local Economy

The proposal increases the amount of affordable housing to support local workers in lower paid employment and generates a positive impact in the local economy. The proposal increases the amount of temporary accommodation to support Ukrainian's who can work in paid employment and generate impact in the local community.

1.3 Living Well

The additional properties will be good quality family accommodation for household that may live in temporary accommodation or in other housing that does not meet their needs thus reducing potential for the housing circumstances to impact on household health.

1.4 Your Services, Your Voice

There is a 2 year 4 month waiting time for 3 bedroom new council homes for households assessed as medium priority (band 3)so this approach assists in increasing available stock. As with all new homes schemes undertaken by the council there will be a 12-month tenant satisfaction survey carried out to address and understand any issues or concerns.

2 FINANCIAL IMPLICATIONS

2.1 Under the new flexible RTB-1-41 retention agreement the council can acquire properties and fund them using RTB 1-4-1 receipts. The number of acquisitions is however currently limited by a cap to 20 a year with any additional acquisitions in year based upon a proportion of the new build Start on Site (SOS) in that year. This proportion is currently 50% but will reduce to 30% over the next two years. This would for instance allow the council to acquire an extra 3 properties if it had 6 SOS's in this year.

- 2.2 In the last few years, the council has applied RTB 1-4-1 receipts through the acquisition of new build properties at North Whitely. However, at present it has no plans to acquire any new build in this year using RTB1-4-1 receipts and thus has capacity to apply them to purchase back these Right of First refusal ex-RTB properties.
- 2.3 Each scheme is subject to financial appraisal and offer prices will seek to minimise the amount of subsidy required to make the purchase viable whilst setting rents at Local housing allowance levels for the respective broad rental markets areas which properties fall within. Given the rents that can be charged within the Winchester BRMA it is likely that the unidentified properties will be within that BRMA.
- 2.4 One property will be part funded by a capital grant from Hampshire County council as it will increase the housing stock so as to provide temporary accommodations for Ukrainian households.

3 LEGAL AND PROCUREMENT IMPLICATIONS

- 3.1 The powers under which the Council acquires property assets can be general or specific. General Powers to acquire land and property stem from the Local Government Act 1972. (Section 120). These enable local authorities to acquire property for any of their functions, or for the benefit, improvement, or development of their area.
- 3.2 The council has the right of first refusal on any ex Right to Buy (RTB) properties when they are first offered for sale under "The Housing (Right of First Refusal) (England) Regulations 2005". The council must determine and acknowledge if it is exercising this right within a defined 8-week timescale to the sellers.

4 WORKFORCE IMPLICATIONS

- 4.1 None.

5 PROPERTY AND ASSET IMPLICATIONS

- 5.1 The additional homes will be managed and maintained within the Housing Revenue Account (HRA) and provide a positive long-term asset for the council.

6 CONSULTATION AND COMMUNICATION

- 6.1 Given the time constraints in making offers on the homes and the recruitment of the new TACT board it has not been possible to undertake consultation on the proposals.

7 ENVIRONMENTAL CONSIDERATIONS

- 7.1 One of the acquired properties is an ex-council property. After purchase properties will become part of the HRA property portfolio and if appropriate will be retrofitted as necessary along with the rest of the Council's stock to ensure they meet current and future energy standard either when void or via the appropriate programme.

8 PUBLIC SECTOR EQUALITY DUTY

- 8.1 This meets the Homes for All objective in the Corporate Plan and the Housing Strategy objective, both of which have been equality impact assessed. No further issues arise.

9 DATA PROTECTION IMPACT ASSESSMENT

- 9.1 None.

10 RISK MANAGEMENT

Risk	Mitigation	Opportunities
<i>Financial Exposure:</i> .	<i>Each property has been financially appraised and meets viability requirements.</i>	This proposal will secure use of RTB receipts thus protecting the Council from risk of having to return receipts with the prohibitive interest penalty
Exposure to challenge	The council has commissioned independent valuations of the properties	
<i>Innovation:</i> .		
Reputation: The acquisition of three bedroom homes that were once Council properties purchased under the right to buy may lead to questions of overall value for money.	The financial appraisals shows that the acquisitions are an economic way of bringing three bedroom property into the Council's HRA	

Property. The buying back of several ex-council properties on the open market.	A surveyor has visited the property, to conduct a survey drafting up a preliminary schedule of works as part of negotiations on offer price.	Provide the council with additional housing assets for the future and bring local properties back into council owned family housing.
<i>Community Support:</i> A negative perception that the funding and acquisitions of properties will not provide new homes for those on the Housing Register.	Properties in the longer term will be additional HRA housing stock for all future tenants	The council will have acquired 2 additional homes
<i>Timescales:</i>	Operational processes in place with identified lead officers to acquire properties and complete the purchases on time.	
<i>Project capacity:</i> To be delivered within current staffing resources.	Team in place with clearly defined roles.	

11 SUPPORTING INFORMATION:

- 11.1 The council's Housing Strategy has an objective to deliver Homes for All that meet identified need, creating housing that people chose to live in and are proud to call their home.
- 11.2 The council needs to increase its supply of council housing to meet housing need which includes households on the council's housing register and other housing need such as residents on the Home for Ukraine Scheme. (HFU)
- 11.3 The council currently have 1600 households on the housing register, and of that 172 households have a 3-bed need. There are 86 Ukrainian families still residing with hosts in the district of Winchester.
- 11.4 Due to the Council being given right of first refusal 1 ex- RTB property has been identified to be purchased to assist in addressing the identified need. All properties are 3 bed houses which will be used to assist households on the housing register and let through Hampshire Home Choice.
- 11.5 The properties are to be funded from up to 50% RTB 1-4-1 capital receipts, with the remainder through HRA borrowing, except the property that will be part funded by Hampshire County council to provide accommodation for Ukrainian households.

- 11.6 The budget for unallocated new homes is £13.703m in 2024-25 and these purchases will be funded from that budget and will count towards the 1000 Housing target that the council has set.
- 11.7 As the properties will be part funded using public funding and the council is a registered provider of social housing it is exempt from Stamp Duty Land Tax
- 11.8 In addition, the general needs properties (ex RTB) will have a cost floor applied to that will prevent them being sold for less than the cost of purchase for the next 15 years.
- 11.9 Under current regulations, if the acquired general needs properties were to be sold in future through RTB, the Council has to “pool” the capital receipts and must use a proportion of the retained receipts to finance eligible new build or acquisitions within a specified timescale. The council can apply to DLUH to have any sales receipts from future RTB sales of the acquired general needs properties exempted from any future requirement to be pooled. This means that the council would be able to retain the whole receipt with no conditions or time constraints, and therefore available to be spent on any eligible capital purpose - affordable housing, regeneration projects or repaying HRA debt.
- 11.10 The 2 identified properties for purchase meet the council’s criteria for housing need and are assessed financially as being viable at LHA rent levels and are considered to represent good value for money, and can be cash flowed through the HRA Business Plan
- 11.11 The properties that are proposed to be purchased are:
- Property A – Up to £340,000
- Property B – up to £320,000
- A budget of £0.680m is required , including allowance for land registry fees, and estimated repair costs.
- Property A has a favourable NPV of £17,765, and Property B has a positive NPV of £20,019.
- 10.12. Two further properties will be identified and are likely to be three bedroom in Winchester City with the intention of turning current houses in multiple occupation back into three bedroom family homes.

12 OTHER OPTIONS CONSIDERED AND REJECTED

The other option is to not purchase the properties however this would not meet the Council Plan and Housing Strategy objectives or assist in meeting the identified housing needs.

BACKGROUND DOCUMENTS:-

Council Plan and Housing Strategy 2023-2028.

Previous Committee Reports:-

None.

Other Background Documents:-

None.

APPENDICES

Exempt appendix - Exempt as identifies financial information and property addresses