

FOR PUBLICATION

STRATEGIC HOUSING ACQUISITIONS (H000)

MEETING:	1. CABINET 2. EXECUTIVE MEMBER FOR HOUSING
DATE:	1. 17 FEBRUARY 2015 2. 10 FEBRUARY 2015
REPORT BY:	HOUSING SERVICE MANAGER BUSINESS PLANNING AND STRATEGY
WARD:	ALL
COMMUNITY ASSEMBLY:	ALL
KEY DECISION REFERENCE (IF APPLICABLE):	467

FOR PUBLICATION

1.0 PURPOSE OF REPORT

1.1 To seek Council approval to adopt a Strategic Housing Acquisition Policy and a Right-to-Buy (Right of First Refusal) Policy.

2.0 RECOMMENDATIONS

2.1 That Cabinet approve the adoption of the Strategic Housing Acquisitions Policy.

2.2 That Cabinet approve the adoption of the Right-to-Buy (Right of First Refusal) Policy.

2.3 That the Housing Services Manager - Business Planning and Strategy is given delegated authority to purchase properties that meet the requirements of the Strategic Acquisitions Policy and Right of First Refusal Policy within the budget agreed in the Housing Capital Programme report that is presented to Council annually.

3.0 **BACKGROUND**

Right of First Refusal

- 3.1 The Housing Act 2004 introduced the Right of First Refusal (RFR) that gives Local Authorities the first opportunity to 'buy-back' properties being sold by former tenants who acquired their properties under the Right-To-Buy (RTB). This applies to all sales within ten years of the date of purchase.
- 3.2 When a property is sold under the RTB, a covenant is included on all conveyances requiring that, during the 10 year period from the date of purchase, the vendor of the property serves an offer notice on the Council. The covenant is recorded on the property register held by the Land Registry and also by the Council as land charge, in order that Legal Services will pick this up when a vendor wishes to sell their property
- 3.3 Although the RFR has been in place since 2004 the Council has not until recently been in a financial position to repurchase any properties and has until this time only served rejection notices. The additional freedoms and flexibilities offered by the reforms to the Housing Revenue Account (HRA) mean that in the future consideration of repurchasing property can be made.
- 3.4 The Right-to-Buy (Right of First Refusal) Policy sets out the criteria for considering properties offered under the Right of First Refusal and a procedure for managing the process.
- 3.5 If Housing Services are interested in the possibility of purchasing a property through RFR there are tight timescales for notifying vendors and completing sales.

Strategic Acquisitions

- 3.6 Strategic Acquisitions are where Housing Services will seek to increase its stock through the acquisition of existing stock rather than new build.
- 3.7 The Strategic Acquisitions Policy will cover:
- The purchasing of properties from the open market (including former Right-to-Buy properties where the Right of First Refusal has elapsed)
 - The purchasing of properties directly from residential developers through s106 agreements
 - The purchasing of properties being disposed of by Registered Providers
 - The ability to acquire properties or land for estate management and regeneration/ development purposes

3.8 In certain circumstances strategic acquisitions will deliver a more immediate and value for money solution to meeting housing need in the Borough. The policy identifies opportunities where Chesterfield Borough Council could acquire new homes for social or affordable rent with several benefits including:

- Strengthening the HRA Business Plan through rental income
- Delivering high quality homes to meet local affordable housing need
- Good value for money when compared to equivalent new-build costs (around £70K compared to £100K+ new build cost)
- Offsetting the loss of housing stock through RTB
- Preventing the loss of affordable housing units through purchasing surplus units of housing stock from Registered Provider partners

3.9 The main advantages of this route are speed of delivery (compared to new build), cost, and the flexibility to be able to address housing needs at a local level.

3.10 It could be argued that this route would not deliver overall affordable housing growth as the Section 106 properties would typically be sold to a Registered Provider, however the ability to purchase properties through Section 106 will allow us to deliver new Council housing more quickly in order to keep up with the loss of stock through Right to Buy.

3.11 The funding of a strategic acquisition policy will also enable Housing Services to purchase properties or land for estate management and regeneration/ development purposes. e.g.

- Acquiring properties in blocks of flats for remodelling purposes or demolition
- Acquiring strips of land to enable access into land locked site.

4.0 **CURRENT POSITION**

4.1 The Council needs to consider purchasing as part of a wider programme of new build and stock investment. The repurchasing of properties will need to be considered as strategic acquisitions in terms of delivering a more immediate solution to housing need in an area and better value for money.

4.2 The acquiring of new affordable homes through RFR will have several benefits:

- Good value for money when compared to equivalent new build costs
- Strengthening HRA Business Plan through Rental Incomes
- Delivering high quality homes to meet local affordable housing need

- 4.3 We have recently acquired two, two bedroom properties to meet housing need. 34 Carsington Crescent at Holme Hall through the RFR for £90,000 and 10 St Augustines Drive at Grangewood from South Yorkshire Housing Association for £57,000 (a strategic acquisition).
- 4.4 A separate report on the 17th February 2015 Cabinet agenda is seeking authority to purchase 39 St Augustines Avenue for £70,000 under the RFR.
- 4.5 Each acquisition currently requires Cabinet approval for the expenditure. The requirement to seek Cabinet approval means that under the tight timescales for the RFR we have notified our intention to repurchase and begun the legal work involved in purchasing a property before Cabinet approval has been achieved. As the intention is for Housing Services to be more active in acquiring property the Housing Capital Programme includes a budget to be used for the purchase of properties under the RFR and Strategic Acquisitions.
- 4.6 The Right-to-Buy (Right of First Refusal) Policy and Strategic Acquisitions Policy are set out in **Appendices 1 and 2** respectively.
- 4.7 The process chart within each policy will ensure that an evaluation of the prospective property in terms of value for money will be built in. The Housing Service Manager - Business Planning and Strategy will be responsible for ensuring the property is both within budget and represents a value for money investment.
- 5.0 **FINANCIAL IMPLICATIONS**
- 5.1 The Housing Capital Programme will establish the annual resources available to acquire properties through either the Right-of-First Refusal or as a strategic acquisition. For 2015/16 £300,000 has been included in the Housing Capital Programme to fund potential acquisitions and this was approved by Cabinet on the 10th February 2015.
- 5.2 The allocated funding is expected to fund the purchase of four properties through the 2015/16 financial year.
- 5.3 A further £300,000 has provisionally been included in both the 2016/17 and 2017/18 Capital Programme. These figures could be amended following a review of the success of the policy and approved through the Housing Capital Programme report in February 2016.
- 5.4 Whilst £300,000 has been allocated there is no guarantee that this money would be spent as its expenditure would be dependent on suitable properties becoming available. Any unspent capital at the end of the

financial would be returned to the Housing Revenue Account Working Balance.

- 5.5 The cost of purchasing a property can be funded using either:
- a) Surplus RTB 1-4-1 receipts. This is the amount the Council can retain in Chesterfield for the provision of new housing after a series of agreed deductions
 - b) The Councils share of general RTB receipts or
 - c) Monies from the HRA Working Balance

With regard to a) only 50% of the purchase price of an individual acquisition can be met with these receipts and the total amount spent on acquisitions in one financial year cannot be more than 6.5% of the total 1-4-1 receipts in the same period.

- 5.6 As at the 31st December 2014 £964,652.84 is retained in Chesterfield for the provision of new build housing or strategic acquisitions. This money is allocated to the rebuilding of Parkside (of which 30% of the total build cost can be met using this resource). It is therefore recommended that the £300,000 budget for RFR and Strategic Acquisitions is initially met from normal RTB receipts and the Working Balance.

6.0 **RISK MANAGEMENT**

Description of the Risk	Impact	Likelihood	Mitigating Action	Impact	Likelihood
Property acquired requires higher than anticipated cost to bring into stock	M	L	Each property surveyed prior to commitment to purchase being made Structural Survey requested through Kier	L	L
Perception of poor value for money Through RFR we are repurchasing property at a significantly higher price than we sold it this could be perceived negatively.	L	M	Highlight that consideration of purchase will only occur if price is lower than the equivalent New Build costs of a replacement property.	L	L

7.0 **EQUALITIES IMPACT ASSESSMENT (EIA)**

7.1 An EIA is attached in **Appendix 3**

8.0 **RECOMMENDATIONS**

8.1 That Cabinet approve the adoption of the Strategic Housing Acquisitions Policy

8.2 That Cabinet approve the adoption of the Right-to-Buy – (Right of First Refusal) Policy.

8.3 That the Housing Services Manager - Business Planning and Strategy is given delegated authority to purchase properties that meet the requirements of the Strategic Acquisitions Policy and Right of First Refusal Policy within the budgets agreed in the Housing Capital Programme report that is presented to Council annually.

9.0 **REASONS FOR RECOMMENDATIONS**

9.1 The Right to Buy (Right of First Refusal) Policy and Strategic Housing Acquisitions Policy will enable the Housing Service to maximise and take advantage of its options for increasing the Council's Housing Stock.

9.2 To meet the Council's Corporate Plan Priority – To improve the quality of life for local people:

- To improve the quality of housing in the borough
- Reduce inequality and improve standards of living.

ALISON CRAIG

HOUSING SERVICE MANAGER - BUSINESS PLANNING AND STRATEGY

You can get more information about this report from James Crouch (extension 5150).

Officer recommendation supported.

A handwritten signature in black ink, appearing to be 'M. J. ...', written in a cursive style.

Signed

Executive Member

Date 10/2/2015

Consultee Executive Member/Support Member comments (if applicable)