

Area Panels – August/September 2018

Briefing paper – Home Purchase Policy update

1. Background

- 1.1 Housing & New Homes Committee agreed a Home Purchase Policy in September 2017 to enable the purchase of homes funded by the Housing Revenue Account. This enabled the service to:
- Maximise the supply of affordable homes in the city in support of the Housing Strategy
 - Meet housing need through the housing register
 - Utilise retained Right to Buy receipts thereby avoiding the need to return capital funds to the government and reducing the impact on the HRA's borrowing headroom.
- 1.2 The committee agreed that a year long pilot should be undertaken, with a budget of £2m to purchase properties that have previously been sold under the right to buy and that the council has first refusal to buy back. It was agreed that for the pilot '75% should be general needs unless the case is not viable then 25% to temporary accommodation. To charge social rents up to living wage rents' for General Needs stock. Local Housing Allowance rates would be charged for Temporary Accommodation stock.
- 1.3 This briefing seeks to provide an update on the pilot. For the purposes of the pilot it concentrated on the buy back of properties where the council had the right of first refusal to buy back former council homes. The briefing also suggests amendments to the policy.

2. Pilot outcomes: Buy back of properties sold under the Right to Buy (Right of first refusal)

- 2.1 The pilot commenced on the 1 November 2017. As at 6 August 2018 the council has received 17 offer notices and are aware of a further offer notice due to be received. Of these:
- 2 properties (1 x 2 bedroom flat ,1 x 3 bedroom house) have been purchased and have been let as general needs properties
 - 3 properties (1 x 1 bedroom flat, 2 x 2 bedroom flats) have had offers agreed and are proceeding to sale. It is proposed two of these properties are used for general needs and one for temporary accommodation
 - 2 owners withdrew their properties from sale

- 4 offer notices were declined due to the high value of the property (in excess of £250,000 threshold)
- 4 properties are declined due to not providing value for money
- 2 properties are currently under consideration.

2.2 To date the pilot has shown us:

- There are a good number of opportunities coming through and the properties are typically in a very good condition
- The council have also been able to achieve the purchase of general needs units and not have an over reliance on temporary accommodation units, in line with the request from this committee last September
- The threshold of £250,000 has not proved to be a barrier to this policy. However it is acknowledged that this threshold will mean that the council can usually only achieve the purchase of smaller properties (typically 1 and 2 bedroom properties)
- To date the council has spent £428,500 with a further £681,200 committed bringing the total spend to date to £1.1m (July 2018)
- This pilot has demonstrated that the fluctuation in valuations often due to the location of the property does have an impact on the viability of purchases with properties in central locations typically representing less value for money. Four properties have been rejected on this basis
- Each property being considered for purchase is assessed for its viability at a social rent and a living wage rent (for general needs properties) and at Local Housing Allowance (LHA) levels (for temporary accommodation). To date no purchases have been viable at social rent but a number have been viable at a living wage rent and at LHA level.

3. Expanding the scope of the Home Purchase Policy

Former council properties for sale on the open market

- 3.1 Where there is no right of first refusal, there may still be good value opportunities for the council to buy former council homes back. These were not included in the pilot year but it is proposed going forward that we give consideration to direct approaches from other leaseholders. It is proposed that this would happen at specified times when we may wish to increase activity on the scheme. By limiting it to certain times will also ensure resources are used appropriately to manage enquiries and that leaseholders are not unnecessary contacting the council wishing to sell their property. Appropriate advertising of the scheme can be done via the council's website, social media, the Leaseholders Action Group and through Homing in.

Other opportunities

- 3.2 Alongside the purchase of homes, other opportunities may become available to purchase properties or land for housing including securing affordable housing units as part of new housing developments in the city (S106 sites). At present S106 sites are offered to our five partner Registered Providers in the city. Recently schemes offering less than 15 affordable homes have been declined for purchase by our Registered Provider partners who have confirmed that their current risk management does not allow purchase of small schemes. Although in such cases the council would receive a commuted sum payment in lieu of on site units – the on site provision is generally preferred given land restrictions in the city. In light of this the potential of whether the council could purchase these properties direct to add to its own housing stock is being proposed. The Affordable Housing Brief setting out guidance on the council’s requirements for affordable housing within the city will be revised to reflect this.
- 3.3 These opportunities would need to be subject to business case approval by Housing & New Homes Committee with formal approval sought through Housing & New Homes, Planning and Policy, Resources & Growth Committee (as required).

4. Budget for a Home Purchase Policy

- 4.1 Expanding the scope of the policy will require additional capital and revenue funding. The scheme currently has £3m approved (£2m in 2017/18 and £1m in 2018/19). A further £2m has been provisionally agreed for both 2019/20 and 2020/21 bringing the total anticipated budget of £7m until the end of March 2021.
- 4.2 A fixed term Project Manager will be recruited to oversee the continued operation of the scheme, with recruitment currently underway.

5. Next steps

- 5.1 We will be taking the outcome of the pilot to date and will seek agreement to the revised Home Purchase Policy at Housing & New Homes Committee on 19 September 2018.

5.2 We welcome feedback and your comments on this pilot and the proposed changes to the policy prior to Housing & New Homes Committee on the 19 September 2018. Please contact Diane Hughes, Housing Strategy & Enabling Manager with your feedback on:

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