

<b>HOUSING COMMITTEE</b>	<b>Agenda Item 9</b>
	Brighton & Hove City Council

<b>Subject:</b>	<b>Home Purchase Policy update</b>		
<b>Date of Meeting:</b>	<b>Housing Committee 18 September 2019</b> <b>Policy and Resources Committee 10 October 2019</b>		
<b>Report of:</b>	<b>Executive Director – Neighbourhoods, Communities &amp; Housing</b>		
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<b>Ward(s) affected:</b>	<b>All</b>		

## 1. PURPOSE OF REPORT AND POLICY CONTEXT

- 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 (HRA). This supported the council to:
- Maximise the supply of affordable homes in the city as outlined in 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 A 12 month pilot took place from November 2017 which focused on the council buying back former council homes where the council had the right of first refusal. In September 2018 Housing & New Homes Committee was presented with feedback on the pilot and agreed revisions to this policy. These revisions included the council also being able to consider other acquisitions opportunities such as affordable housing gained through planning (S106 sites).
- 1.3 This report provides an update on the operation of the policy.

## 2. RECOMMENDATIONS:

That the Housing Committee:

- 2.1 Notes the outcomes of the Home Purchase Policy to date.
- 2.2 Recommends that Policy and Resources Committee agree an additional HRA capital budget of £3.000m for the scheme for 2019/20.
- 2.3 Recommends to the Constitutional Working Group a review of the financial limits applied to officer scheme of delegations.

- 2.4 Recommends use of the rent support reserve held within the HRA reserves to enable consideration of reduction of rents under the Home Purchase Policy to achieve social rents or 27.5% living wage rents.

### 3. CONTEXT/ BACKGROUND INFORMATION

3.1 The citywide Housing Strategy adopted by council in March 2015 has as priority one *Improving Housing Supply* with a commitment to prioritise affordable housing provision in the city. The city has an Affordable Housing Brief based on evidenced local housing needs which reflects the very pressing need for affordable homes in the city.

3.2 A Home Purchase Policy which enables the purchase of properties for which there is demand, at the right price, supports the priority to increase affordable homes in the city. The policy outlined a number of ways that the purchase of homes can take place. The 'buy back' scheme has allowed the council to buy back former council homes where the council has the right of first refusal. This has been extended into a wider offer to other leaseholders/freeholders of former council owned homes who may wish to sell their properties back to the council.

#### 3.3 Buy back scheme for former council owned homes (right of first refusal and open market sales)

Since the scheme began the council has received 83 offer notices<sup>1</sup>. Of these:

- 23 properties have been purchased to be let as either general needs or temporary accommodation properties
- 23 properties have offers agreed and sales are proceeding with the council's legal services
- 7 properties are currently under consideration
- 30 properties are not proceeding.

3.4 A breakdown of the properties that the council has purchased or are purchasing is as follows:

Size	Number
Studio	2
1 bedroom	13
2 bedroom	24
3 bedroom	7

Property use	Number
General needs	26
Temporary accommodation	20

<sup>1</sup> As at 31 July 2019

The reasons for properties not proceeding are:

Reason	Number
Property over £250,000 threshold	13
Property did not offer the council value for money	7
Owner did not accept the offer	4
Owner withdrew property from sale	6

- 3.5 Full details of the offers are included in Appendix 1. The scheme has demonstrated that there are a good number of opportunities coming through and the wider offer to extend the scheme has proved popular with leaseholders and freeholders. The primary assessment tool for deciding whether a property should be used as general needs or temporary accommodation is based on the financial viability of the purchase. Secondary considerations are the proportion of properties used general needs and council owned temporary accommodation to create a balance in the programme, and opportunities to achieve rents at 27.5% living wage (to date four general needs properties have achieved 27.5% Living Wage rent). At present the scheme is operating on approximately 60% general needs and 40% temporary accommodation basis with this proportion able to be adjusted at any time (subject to financial viability of the purchases).
- 3.6 The budget for the scheme for 2019/20 is £7.000m. The council has spent £1.863m with a further £5.598m forecast to be spent committed bringing the total spend to £7.461m as at July 2019. To allow the scheme to continue for the remainder of 2019/20 a further budget of £3.000m is being requested as detailed in paragraph 4.1.

#### Delegated authority limits

- 3.7 Whilst the threshold of £250,000 has not proved to be a barrier to this policy, it has resulted in the purchase of smaller properties (typically 1 and 2 bedroom homes). An analysis of Land Registry sales of three and four bedroom properties in the past two years in council housing localities show that sales of 118 three bedroom homes fell into the following price bands:

Price band	Number of homes
£200 - 249,000	10
£250 - 299,000	31
£300 - 349,000	47
£350 - 399,000	21
£400,000 plus	9

Findings from the sales of 20 four bedroom homes were:

Price band	Number of homes
£280 - 299,000	2
£300 - 349,000	6
£350 - 399,000	8
£400,000 plus	4

- 3.8 The Executive Director of Neighbourhoods, Communities & Housing's current financial limit under officers' delegated power is £0.250m as outlined in the Scheme of Delegations. The Land Registry analysis shows that an increase in the Scheme of Delegations limit to £0.500m would enable a considerable increase in the scope of the scheme. Any amendment to the officer scheme of delegations would need approval from Policy & Resources Committee and is a matter for the cross party Constitutional Working Group to consider.

#### **Other opportunities**

- 3.9 Alongside the purchase of former council homes, other opportunities may become available to purchase other properties or land for housing. Affordable housing is required to be provided on site at all new housing developments providing more than 15 units (City Plan Policy CP20). These developer contributions providing affordable housing are typically known as S106 sites. The council is now actively considering these sites, and also looking at a range of acquisition opportunities to provide new homes.
- 3.10 Where time permits a business case will be developed for each potential purchase to be considered at the cross party Housing Supply Member Board and Housing Committee for approval.
- 3.11 In some exceptional cases, there may be a benefit in considering the need for the use of an Urgency Sub Committee to be able to respond to opportunities arising in the market. This would ensure transparency in decision making. In addition Urgency Powers are also available if, due to urgent timing, committee approval could not be sought in advance. The Executive Director Neighbourhoods, Communities & Housing in consultation with Executive Director for Finance & Resources, may use their Chief Officer Urgency Powers in order to meet a deadline. Consultation must take place with the Chairs of Housing Committee (HC) and Policy & Resources Committee (PR). Any decisions taken under Urgency Powers are reported to Housing Committee and Policy & Resources Committee in accordance with the procedure outlined in the Scheme of Delegations.

#### **4. Budget and resources**

- 4.1 With the budget of £7.000m for 2019/20 now fully committed, a further capital budget allocation is required to allow the scheme to continue operating at its current level during this financial year. A further £3.000m will allow the purchase of approximately 12 further properties, bringing the total number acquired under the Home Purchase Policy's 'Buy Back' scheme in 2019/20 to an estimated 42.

- 4.2 The scheme is currently managed, through the equivalent of one full time post supporting the operation of the scheme.

## **5. ANALYSIS & CONSIDERATION OF OPTIONS**

- 5.1 The Home Purchase Policy offers the opportunity to maximise council owned homes. Reports presented at Housing & New Homes Committee in September 2017 and 2018 provided a range of options, with the preferred one being to have in place a policy which allows both the buy-back of former council homes and other acquisitions.

## **6 COMMUNITY ENGAGEMENT & CONSULTATION**

- 6.1 Tenants and leaseholders were consulted on the development of the Home Purchase Policy through the Area Panels in Summer 2017 and on the subsequent changes to the policy in 2018.

## **7. CONCLUSION**

- 7.1 The purchase by the council of additional affordable homes will help meet the council's strategic objectives to increase housing supply as set out in the council's Housing Strategy.
- 7.2 The Home Purchase Policy will continue to be kept under review to determine the success of the scheme and to inform future budget decisions.

## **8. FINANCIAL & OTHER IMPLICATIONS:**

### Financial implications

- 8.1 The forecast expenditure for 2019/20 is £7.461m; this already exceeds the approved budget of £7.000m for the financial year. Without committing further budget to the scheme it will result in having to pause the purchase of two or three homes as there will be insufficient budget to fund the purchases.
- 8.2 If approved, the additional £3.000m budget would form part of the 2019/20 HRA capital programme and would be funded by up to 30% Right to Buy Receipts, with the remaining assumed from HRA borrowing. However, the actual funding of the budget will be considered in line with the whole of the HRA capital programme at the end of the financial year. As stated in the body of the report, the additional budget would support a further 12 homes to be purchased.
- 8.3 Each property purchased through this policy is subject to a viability test. This test is designed to ensure that purchases are providing value for money for the council. The results of the tests are indicative only and used as a decision making tool for officers to consider, alongside other factors when deciding to proceed with the purchase or not. The results can be seen in appendix 1 to this report. To date seven properties have been rejected on a value for money basis, due to the valuation being high for for the properties and the rental income not supporting the purchase.

- 8.4 The viability test will continue to be applied to any new properties coming forward and will be used to provide assurance that if the delegated authority is raised, properties will only be purchased if they provide good value for money as well as matching the type of property required by the council.

*Finance Officer Consulted: Monica Brooks*

*Date: 12/8/19*

Legal Implications:

- 8.5 Section 17 of the Housing Act 1985 confers a power on local housing authorities to acquire houses. The continued acquisition of property for use as residential accommodation is clearly within the council's powers.
- 8.6 The Council's Scheme of Delegations to Officers sets a limit of £250,000 on officers' powers for the disposal and acquisition of land. The Council is required to keep its constitution under review with a view to achieving efficiency, economy and effectiveness. The Cross-Party Constitutional Working Group (CWG) was set up to assist with this by considering proposals and advising the Council on proposed changes to the constitution. It is therefore appropriate for any proposals to amend the constitution to be directed initially to the Constitution Working Group, rather than Policy & Resources Committee which is the body with the power to approve changes to the Scheme of Delegations to Officers.

*Lawyer consulted: Liz Woodley*

*Date: 07.08.19*

8.7 Equalities Implications:

The Home Purchase Policy supports the delivery of the city's Housing Strategy and an increase in housing supply will extend opportunities to accommodate households on the Housing Register who are on housing need.

8.8 Sustainability Implications:

Purchased properties are required to meet the Brighton & Hove Standard and seek to be energy efficient, minimise carbon emissions and reduce water usage.

**SUPPORTING DOCUMENTATION**

**Appendices:**

**Appendix 1:** Home Purchase Policy outcomes

**Documents in Members' Rooms** None

**Background Documents** [Home Purchase Policy](#)