

Buy Back Programme - New

Housing Committee Thursday, 16 March 2023

Report of: Chief Finance Officer (Section 151)

Purpose: For decision

Publication status: Unrestricted

Wards affected: All

Executive summary:

This report seeks approval to embark on a new 'buyback' programme to utilise existing approved funds to purchase a further 10 properties on the open market that were previously sold under the Right to Buy.

This report supports the Council's priority of: Creating the homes, infrastructure and environment we need

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Recommendation to Committee:

It is recommended to Members that:

- A. approval is given to start a new 'buy-back' programme to repurchase ex-council owned properties initially purchased under the Right to Buy with a budget of £3m for 10 homes, subject to the requirements of Financial Regulation 17, and the criteria detailed within this report.
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Reason for recommendation:

The Council has a Housing Register with around 1800 applicants, with over 400 of those applicants in its highest categories of need. There remains an overwhelming need for family sized accommodation. The provision of affordable housing to meet this need is a key driver for the Council. The Council now has a refined process of buying back former Council properties and recently completed

a buy-back programme with the successful purchase and letting of 10 properties. The purchase of buyback properties is an additional means of increasing the Council's housing stock to help meet the need for affordable housing in the District.

Introduction and background

- 1 The value of housing within the District makes the repurchase of former Council properties purchased through the right to buy generally prohibitive. However, some flats within existing Council blocks are comparatively lower priced and in the face of very high land costs and the more recent increases in build costs the buying back of former Council properties remains a viable alternative means of adding properties to the Council's housing stock.
- 2 The Council has just completed a programme of buying back Right to Buy (RTB) properties which has seen an additional 10 homes added to the Council's housing stock since the programme was approved in September 2019. This included 5 x 2 bed flats, 4 x 3 bed flats and 1 x 4 bed house.
- 3 The previous programme was oversubscribed with Officers considering around 30 potential buyback properties in total. Properties were identified via mailouts, via direct approaches, suggestions by Councillors and housing management colleagues and properties with pre-emption rights that contacted legal about their plans to sell.
- 4 The average cost and return to use of a 2-bed flat (including works costs, legal fees and Stamp Duty Land Tax (SDLT)) was £267,102 with the 3-bed flats averaging at £297,378. The programme finished under budget with a surplus of approximately £220,000.

New buy-back programme

- 5 Subject to approval it is proposed to purchase a further 10 properties with a budget of £3m to include the purchase price, legal costs, SDLT, surveys and other similar costs, works to the property and a small contingency. It is anticipated that the first five homes would be purchased within the financial year 2023/24 with a further five homes purchased before March 2025.
- 6 It is proposed that any properties purchased under the scheme would facilitate the Council's wider house building programme in one or more of the following ways:
 - Assist in the release of landlocked sites or hard to access sites where the Council could achieve a net housing gain
 - By acquiring restrictive leases from the Council's leaseholders that might pose a barrier to infill development on Council owned land
 - Through the supply of alternative temporary accommodation to allow the longer-term redevelopment of the Croydon Road TA scheme.
- 7 Property purchases will also meet the following criteria:
 - a) Be former Council owned general needs properties

- b) Preference given to flats with 2 or more bedrooms where the Council remains the freeholder
 - c) The cost of remedial works to bring a property up to the Council's lettable standard not being significant
 - d) That the Council's legal team are satisfied that the properties have good and marketable title
 - e) The negotiated price being acceptable in valuation terms
- 8 The properties will be purchased for the benefit of the Housing Revenue Account in order to provide an additional means of increasing the Council's stock. Under the current constitution Financial Regulation 17 delegates the acquisition of land and buildings up to the value of £5million to the Chief Executive, in consultation with the Leader or Deputy Leader and the Chair or Vice Chair of the Housing Committee and with Group Leaders, or their nominated representatives, comprising eight or more Councillors.
- 9 It is proposed that the first port of call for acquisitions will be "first refusals" i.e. exercising the Council's right to buy back former council properties purchased using right to buy that come to the market for the first time. This is a condition of the lease for all homes sold through right to buy since 18 January 2005. The Council has not previously exercised its right to do this.
- 10 The intention is that all 'first refusal' applications will be considered by the respective Officers and any homes purchased will be subject to housing need and financial viability.

Budget

- 11 At its meeting in March 2021 this Committee approved an extension to the Council's Council House Building Programme to provide a further 200 homes within an envelope budget of £74m. The programme to be funded through the Council's Housing Revenue Account utilising its borrowing capacity, projected and actual RTB receipts and surpluses. It is proposed the budget of £3m be taken from the aforementioned budget envelope, principally because the benefit of these much-needed homes would be realised almost immediately and the Council continues to receive approaches from owners interested in selling their ex-council homes back to the Council. Furthermore, a strategic approach to buying back ex RTB properties will facilitate further stages of the Council's building programme.
- 12 The budget envelope did not take account of any Homes England Grants and Officers have since initiated those discussions with Homes England and the Council hopes to achieve Investment Partner Status early in the new financial year. Initial discussions regarding grant funding for the buyback scheme have been met positively.
- 13 This budget was included in the Capital Programme for Council Houses included in the January committee report.

- 14 Consideration on each purchase will also include reference to the interest rates applicable at the time.

Other options considered

- 15 Without the buyback programme the Council still has a new build delivery programme which will continue to bring additional stock to assist in meeting the demand from the Council's housing register. However, the purchase of properties on the open market allows the Council to receive the benefit of those properties almost immediately whilst also facilitating future stages of the Council's house building programme.

Consultation

- 16 The subject of this report was raised during a discussion at the Committee's meeting on 24th January 2023 where Officers provided an outturn report on the previous buyback programme.

Key implications

Comments of the Chief Finance Officer

The cost of the buyback programme has been built into the actual HRA capital programme in years 2023/24 and 2024/25 and also the HRA 30year business plan. On this basis the buy-back programme is affordable to the HRA.

Decisions on individual properties will be subject to their own value for money assessment including reference to the available interest rates.

Comments of the Head of Legal Services

The Council has the ability to acquire property for the purposes of its statutory functions. Property can be acquired into the HRA using Housing Act 1985 powers or into the General Fund using Local Government Act 1972 powers, depending on the proposed use. In particular, S.9 of the Housing Act 1985 includes the power to acquire houses. The power does not preclude the repurchase of former Council properties. Once houses have been acquired the Council may carry out alterations, enlargements and repairs.

All properties (freehold and leasehold) sold under Right to Buy legislation since 18 January 2005 contain a covenant which requires any owner intending to sell their property within 10 years of purchase to offer the property back to the Council. The Council has 8 weeks to accept or reject the offer. If the Council rejects the offer, the property may be sold on the open market (although the covenant will remain binding on any successor until the 10 year period expires). If the Council serves an acceptance notice, the Council must enter into a binding contract for the purchase of the property within 12 weeks of accepting the offer, or within 4 weeks of receipt of a written notice from the owner saying that they are ready to complete the transaction, whichever is the longer. If the time limit is not complied with then the owner is free to dispose of the property as they see fit. If the purchase price cannot be agreed by the party, then either party can refer it to the a valuer for determination (with the 12 week period being suspended whilst that

determination takes place). The delegations in this report will enable Officers to comply with these time frames should suitable properties arise.

Equality

The buyback programme and the letting of housing for affordable rent is key to the issue of equality. There is a shortage of family sized affordable housing to rent in the district with households in urgent need waiting for more than 4 years for a 3-bedroom property. These proposals do not disadvantage or discriminate against different groups in the community. Properties will be allocated in accordance with the Council's Allocation Scheme.

It is not considered necessary to enter into an Equalities Impact Assessment in relation to each purchase. Each potential purchase will only be completed after the usual property purchase negotiations using standard contract formats. Each purchase will therefore be undertaken with the expressed consent of each owner. an EIA is not therefore considered relevant.

Climate change

Unlike the Council's new build properties, existing properties do not usually allow for the level of thermal performance works that would be needed to achieve net zero carbon. However, where dwellings are purchased within Council owned flatted developments, they will be included in initiatives brought forward to improve the energy performance of the blocks. With all purchases advice will be sought from an independent surveyor regarding measures that can be taken to improve the property's energy efficiency.

Appendices

Financial Regulation 17

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