

## Cabinet

<b>Date of Meeting</b>	Thursday, 15 <sup>th</sup> December 2016
<b>Report Subject</b>	Buy Back of Council Right to Buy (RTB) Properties
<b>Cabinet Member</b>	Cabinet Member for Housing
<b>Report Author</b>	Chief Officer (Community and Enterprise)
<b>Type of Report</b>	Strategic

### EXECUTIVE SUMMARY

This report proposes the introduction of a new policy setting out the Councils approach to the strategic acquisition of properties that become available on the open market including taking up the option of purchasing ex Council properties that have been sold under the Right to Buy (RTB) scheme. The policy reflects current legislation with regard to Right to Buy and is reflective of best practice.

The main purpose of this Policy is to provide clarity, consistency and delegated authority around how future decisions are made, for both the council and owner of the property being considered for purchase.

The Policy also highlights the potential circumstances wherein the council may consider property purchases as a “strategic acquisition”, where there is a sound business case for doing so. This is explored in more detail in the main body of the report.

### RECOMMENDATIONS

1	Cabinet to approve the implementation of a Strategic Acquisition Policy (Incorporating Right to Buy Buyback).
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## REPORT DETAILS

1.00	<b>STRATEGIC ACQUISITION POLICY (INCORPORATING RIGHT TO BUY, BUYBACK AND DISCOUNT REPAYMENT)</b>
1.01	The current Housing Strategy (2012 – 2017) for Flintshire contains a number of strategic actions and objectives which all link to an overall aim of increasing the number, type and location of affordable social housing to address an increasing need. In 2014 Flintshire made a commitment through delivery of the SHARP programme to provide 500 new homes over a 5 year development programme.
1.02	In addition the Council has applied to Welsh Government to suspend RTB for a 5 year period to reduce the risk of further reducing the numbers of available social housing within the area, approval is anticipated imminently. The Council is also supportive of the Welsh Government proposal to approve a national suspension of the policy.
1.03	Outside of the Council House Build programme there are, however, a number of ways in which an increase in council owned social housing can be achieved. There may be opportunities to increase the stock in future through outright purchase of properties or RTB buyback where it is strategically beneficial for the council to do so.
1.04	It therefore makes good business sense to have a policy in place that provides clear and consistent criteria that will serve as a decision making guide internally and evidence transparency of decision making externally.
1.05	The policy outlines the financial criteria that will influence whether or not a decision is made to buyback the property and the considerations that will need to be made.
1.06	<p>In addition the policy outlines the circumstances which may result in the council considering the purchase of other properties as a “strategic acquisition” for example:</p> <ul style="list-style-type: none"> <li>• properties causing blight in neighbourhoods where the Council has an interest or investment</li> <li>• properties where the owner is struggling with mortgage or cost of maintaining the property</li> <li>• properties that can meet an unmet demand</li> <li>• properties that would free up land or access to a site suitable for development of affordable housing.</li> </ul>
1.07	By establishing a policy with clear criteria the risk of purchasing properties that do not represent value for money in the short or longer term is greatly reduced. For example an ex council property <b>may</b> have similar lay out and ongoing repairing obligations to other council owned stock making it a cost effective option. Purchasing a property on the open market or off the shelf development to meet an unmet demand <b>may</b> be cheaper and offer a quicker re housing solution than new build commissioned by the Council. However, value for money will be the key consideration in all instances.

1.08	On 18 <sup>th</sup> January 2005 changes to the Right to Buy legislation came into force affecting the sale of ex council properties. Where the Right to Buy application for the purchase of a property was received by the council on or after 18 January 2005, the council has right of first refusal for the repurchase of the property.
1.09	This means that for a period of 10 years from the date of sale of a property under the Right to Buy scheme, any owner wishing to sell their property must first offer to sell it back to the council (or someone nominated by the council).
1.10	Since this change there have been covenants placed on all properties sold to ensure that the council has the option to buy back properties sold that have been subject to future sale. To date the council have chosen not to take up the option of purchase on any re sale of previously owned properties. Since April 2010, 55 properties have been sold under the scheme at an average price of £80,080.
1.11	The Welsh Government issued a consultation paper in January 2015 proposing some key changes to the RTB and Right to Acquire (RTA) policy. As a result the maximum discount was reduced for all applications to buy from £16,000 to £8,000 in July 2015. As detailed above further proposals to end the RTB and RTA policy completely in Wales will be entered within the current Government's 4 year term.
1.12	The full policy is attached as an appendix to this report.

<b>2.00</b>	<b>RESOURCE IMPLICATIONS</b>
2.01	It is proposed that a budget for strategic acquisitions and buyback or ex council properties is established as part of 2017/18 budget setting process which is subject to approval in February 2017.
2.02	<p>A key factor in any decision to buyback or purchase a property would be the ability to demonstrate that the purchase represents value for money. Consideration would be given on a property by property basis and financial issues such as the following would be part of the decision making process:</p> <ul style="list-style-type: none"> <li>• availability of funds in the HRA business plan,</li> <li>• property price, ( less repayment of discount and any other deductions to bring up to lettable standard)</li> <li>• costs of any repair or improvement,</li> <li>• rent chargeable on the purchased property and consequent payback period / return on investment.</li> </ul> <p>In line with best practice it is proposed that the maximum payback period be set at 30 years.</p>
2.03	The Council already has staff employed to manage and administer the RTB scheme which includes any assessment of the buyback option. Therefore as the process of property purchase on the open market would be the same it would make sense to place this responsibility within this existing team, therefore there are no resource implications in respect of

	people.
<b>3.00</b>	<b>CONSULTATIONS REQUIRED / CARRIED OUT</b>
3.01	Consultation is not applicable as this policy reflects legislation and good practice.
3.02	The report was taken to Community & Enterprise Overview Scrutiny on 15 <sup>th</sup> December for their review and implementation was fully supported.
<b>4.00</b>	<b>RISK MANAGEMENT</b>
4.01	The risk of reduction in the numbers of social housing stock available is mitigated by two things, firstly the councils request to suspend the right to buy in Flintshire and secondly the implementation of the Strategic Acquisition (incorporating RTB buyback) policy. However, there is a low risk that if a property fitted the criteria in the policy making it suitable for purchase / buyback the council would not be able to fund the purchase due to financial resources being prioritised elsewhere.
<b>5.00</b>	<b>APPENDICES</b>
5.01	Strategic Acquisition Policy ( incorporating RTB Buyback and Discount)
<b>6.00</b>	<b>LIST OF ACCESSIBLE BACKGROUND DOCUMENTS</b>
6.01	<p><a href="http://gov.wales/docs/desh/publications/150801-your-right-to-buy-your-home-en.pdf">http://gov.wales/docs/desh/publications/150801-your-right-to-buy-your-home-en.pdf</a></p> <p>Welsh Government guidance on RTB</p> <p><b>Contact Officer: Steve Agger, Interim Senior Manager, Council Housing</b>  <b>Telephone: 01352 703724</b>  <b>E-mail: <a href="mailto:steve.agger@flintshire.gov.uk">steve.agger@flintshire.gov.uk</a></b></p>
<b>7.00</b>	<b>GLOSSARY OF TERMS</b>
701	<b>Social Housing stock</b> - Houses owed by the council and available to rent <b>Covenant</b> – a promise made in the agreement to sell the property