



**Report Reference Number:** E/19/05

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**To:** Executive  
**Date:** 13 June 2019  
**Status:** Non Key Decision  
**Ward(s) Affected:** All  
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**Lead Executive Member:** Cllr Chris Pearson, Lead Member for Housing, Health and Culture  
**Lead Officer:** June Rothwell, Head of Operational Services

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**Title:** Affordable Housing Delivery through Right to Buy Buybacks

**Summary:**

As part of the Council's Housing Development Strategy for increasing its supply of affordable housing stock" 2013 and Empty Homes programme there is the potential to purchase empty properties and former Right to Buy Council properties where the Council has first refusal. Subject to favourable business cases, these purchases when completed will be returned to the HRA stock and will contribute to the Council's one for one replacement target for Right to Buy properties.

**Recommendations:**

- i. It is recommended that the Executive approve extension of the Empty Homes and Housing Development programmes to include the purchase of former Council houses previously sold under the Right to Buy scheme;
- ii. To delegate authority to the Chief Finance Officer in consultation with the Director of Corporate Services to determine the most appropriate funding package for these acquisitions drawing on approved funding from Homes England Empty Homes Programme Grant, Section 106 affordable housing commuted sums, prudential borrowing and HRA funding approved for building/acquiring additional council homes;
- iii. To authorise the Director of Corporate Services and Commissioning, in consultation with the Lead Member for Housing, Leisure, Health and Culture and the Section 151 Officer to purchase properties

**subject to the business case and enter into contracts to purchase properties which meet the business case, costs and available funding.**

### **Reasons for recommendation:**

To utilise funding available from the Empty Homes Programme and Housing Development Programme for purchase of former Right to Buy (RtB) Council properties to support the increase in affordable housing provision and contribute to meeting the Council's one for one replacement target for right to buy properties.

## **1. Introduction and background**

1.1 The Council's "Housing Development Strategy for increasing its supply of affordable housing stock", 2013, identified 9 mechanisms for the Council to deliver new affordable housing schemes. These are;

- 1) New build schemes for rent or purchase
  - a) Section 106 opportunities
  - b) Rural Exception sites
  - c) Use of Council owned land including garage sites
- 2) Other SDC owned buildings
- 3) Acquisition of other land/buildings available including on the open market
- 4) Buy Backs (of Right to Buy Council properties)
- 5) Acquisition/disposal of affordable units
- 6) Potential joint ventures
- 7) Remodelling of existing homes to meet changing need
- 8) Refurbishment of empty homes
- 9) Building under licence

1.2 The policy option to enable the delivery of affordable housing through Buy Backs is that where a tenant has taken up the RtB, and later wishes to sell the property, there is an opportunity for the Council to buy the property back. The Council has first refusal for a 6 week period, to buy back the property prior to it being sold on the open market. The advantage is that properties will have good space standards, and usually be located near to other Council stock for ease of management. In addition, much of the take up of RtB was for smaller more rural settlements where new provision is less likely.

1.3 The HDP Strategy states that "Each purchase would be dependent on the business case, costs and available funding at the time".

1.4 On 4<sup>th</sup> January 2017 the Executive approved The Housing Development Programme 2017-20. This set out three delivery pillars that included site development, acquisition and development of new sites and the acquisition of affordable homes. The strategic approach outlined in the revised Programme aimed to sustaining the Council's Housing Revenue Account (HRA) through focusing priorities on elderly persons accommodation and replacing homes lost through right to buy as part of the Governments desire to see '1 for 1'

replacements. It is aligned with the Council’s review of the HRA Business Plan and the emerging Empty Homes Strategy and Action Plan. The Empty Homes Strategy and Action Plan sets out plans to acquire up to 13 units by the end 2019/20, giving an overall total of 220 affordable homes.

- 1.5 The HRA Business Plan (para 6.65) also highlights that;  
 “The Council also has the potential to buy back former Council houses as they come on the market, subject to a local housing need being identified. This option has been considered in the Council’s Development Strategy 2013 (see clause 4.4.4). These homes would be of a good size and standard, usually located near existing Council stock for ease of management, and could be let to new tenants at target rent. Each purchase would be dependent on an individual business case.”
- 1.6 On 4<sup>th</sup> January 2018 the Executive approved the Empty Homes Strategy and Action Plan which set out the proposals to bring more properties back into use. Reducing the number of privately owned empty homes remains a corporate priority of the council and the Empty Homes Strategy and Action Plan identified how empty homes would be targeted across the district, the support and encouragement we would offer owners to bring properties back into use, and how best to use our resources and powers to enforce owners to bring properties back into use.
- 1.7 The action plan focusses on offering advice and assistance, offering grants and loans to improve conditions, directly purchasing properties (voluntary purchase) and taking enforcement action which could include compulsory purchase. There is a shortage of affordable homes in the district and any properties that are purchased would be retained and let by the Council through the Housing Revenue Account which would directly increase the provision of available affordable housing.

<b>Purchase and Repair Growth Bid</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>Total</b>
<b>Number of Units</b>	<b>6</b>	<b>7</b>	<b>7</b>	<b>20</b>
S106 Affordable Housing funding	180,000	210,000	210,000	600,000
Homes England Grant	180,000	210,000	210,000	600,000
Capital receipts	240,000	280,000	280,000	800,000
<b>Total Capital Cost</b>	<b>600,000</b>	<b>700,000</b>	<b>700,000</b>	<b>2,000,000</b>

- 1.8 To support the delivery of the programme, a growth bid was submitted as part of the 2018/19 budget setting process to fund a programme of empty home purchase (Voluntary and CPO) and repair using S106 commuted sums, supplemented by capital receipts and Homes England Funding. We

anticipated that we would be able to purchase 20 properties over 3 years and the total budget required would be £2,000,000.

- 1.9 The Executive approved the method for assessing and prioritising empty properties and delegated the authority to purchase properties to the Director for Corporate Services and Commissioning in consultation with the Section 151 Officer and the Lead Member for Housing, Leisure, Health and Culture (subject to meeting the assessment criteria and financial appraisal). Approval was also given to submit the bid for Homes England funding to deliver the Action Plan.
- 1.10 A bid was submitted to Homes England for the Purchase and Repair of 10 empty properties and RtB buy backs. The bid was for £390,000 which would be £39,000 per unit. This bid was approved.
- 1.11 The Homes England bid is part of their Shared Ownership and Affordable Homes Programme 2016-2021. The programme aims to increase affordable housing and supports the purchase of empty homes that can be refurbished and let as affordable housing. The grant can also be used for the purchase of former Right to Buy properties that do not currently meet the definition of social housing and are in private ownership.

## **2. Current position**

- 2.1 In 2018/19 the Empty Homes Officer has directly assisted owners to bring 24 long term empty properties back into use through direct assistance. The majority of these have been due to verbal advice and assistance or following discussions of informal enforcement action. Out of the 24 empty properties brought back into use, 9 had been empty for 2 years or more.
- 2.2 In 2018/19 two Empty homes grant and loan applications completed which resulted in 2 properties coming back into use as a direct result of our financial assistance. We are currently progressing a further two loan applications that will enable the reoccupation of a further two long-term empty properties.
- 2.3 A further report was approved by the Executive on 6<sup>th</sup> December 2018 authorising the progression towards the acquisition of an empty property through the use of compulsory purchase powers. We have been unable to successfully negotiate a voluntary purchase with the owner so are now proceeding with the compulsory acquisition. Once purchased the property will be added to the housing stock under the Housing Revenue Account and the report demonstrated that with the assistance from the Homes England Grant and Section 106 monies the purchase is viable.
- 2.4 Approval for the voluntary purchase of properties was delegated to the Director for Corporate Services and Commissioning in consultation with the S151 Officer and the Lead Member for Housing, Health and Culture (Subject to meeting the assessment criteria and financial appraisal) on 4<sup>th</sup> January 2018. This approval enabled the voluntary purchase of empty homes but did

not specifically provide approval to utilise the empty homes programme to purchase former council RtB properties.

- 2.5 We remain focused on identifying suitable properties for acquisition and although we are in discussions with one owner regarding a number of properties that are currently empty, we did not successfully negotiate the voluntary purchase of any empty properties in 2018/19.

### **Buy back of Right to Buy Properties**

- 2.6 From April 2012 the Government's enhanced 'Right to Buy' scheme brought a new maximum discount of £75,000 for eligible tenants (against the previous maximum of £24,000 for Selby), and from late 2014, there is a reduced qualifying period of three years from five previously. The Government allows that net receipts from these sales should be used to replace the additional homes sold due to the increase in discount.
- 2.7 The net receipt can be adjusted for allowable costs, and repayment of debt, although debt repayment is not mandatory. The 'one-for-one' replacement rules state that no more than 30% of the cost of replacement homes can be funded from RTB receipts, with the rest coming from other funding opportunities, such as borrowing against future rental income of the dwelling, or working in partnership with other social landlords.
- 2.8 Approximately 20 Council properties are sold each year to tenants through the Right to Buy scheme. The government requires Council's to commit to one for one replacement for these properties through a range of mechanisms.
- 2.9 The current Housing Revenue Account Business Plan Para 6 P65, identifies we will look for opportunities, subject to available resources to buy-back former council houses. These homes would be of a good size and standard, usually located near existing Council stock for ease of management, and could be let to new tenants at target rent.

### **Homes England funding for Empty Homes and Buy backs**

- 2.10 Funding can be sought from Homes England for the purchase and either renovation or repair of empty homes and former Right to Buy properties, that do not currently meet the definition of social housing and are in private ownership, are also eligible for funding (Capital Funding Guide: 9. Procurement and Scheme Issues 4.1.2.6).
- 2.11 For a property to be eligible for funding there is a longevity requirement on the property (3.3.1 Capital Funding Guide). These properties must have a life expectancy of at least 30 years after the provider has completed the works, repair, or improvement. In August 2018 the Council received grant approval for grant to purchase and renovate 10 properties.

### 3. Alternative Options Considered

- 3.1 A range of alternative options to increase the number of affordable homes and bring empty homes back into use are included in the Housing Development Strategy and Empty Homes Action Plan.

### 4. Implications

#### 4.1 Legal Implications

- 4.1.1 The options open to the Council are governed by various legislation. In terms of the purchase of dwellings, The Housing Act 1985 empowers local authorities to acquire land, houses or other properties from private individuals, for the provision of housing accommodation.

#### 4.2 Financial Implications

- 4.4.1 The proposals within this report to acquire former right to buy homes are within the approved capital programme. It is proposed that the cost of acquisition and any required refurbishment/ development costs are met from the Housing Improvement Programme using funding earmarked for Empty Homes. On 22<sup>nd</sup> February 2018, the Council approved a budget of £2.0m within the Housing Revenue Account capital programme, for the acquisitions of Empty Homes.
- 4.4.2 The Council is also able to increase its affordable housing stock through the Housing Development Programme financed through the Housing Revenue Account
- 4.4.3 Scheme funding of £7,029,703 was agreed in the Housing Development report 2017-20 for HRA / Council affordable homes. This would make use of loans, Section 106 grant and HRA retained receipts.
- 4.2.2 The Executive's draft budget for 2018/19 included a growth bid to fund a programme of empty home purchase (voluntary or CPO) and repair using s106 commuted sums, supplemented by capital receipts and Homes England funding:

<b>Purchase and Repair Growth Bid</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>Total</b>
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4.2.3 This report seeks approval to utilise the £390,000 secured funding from the Homes England to support the proposed purchase and repair scheme for 10 former RtB Council Houses combined with s106 funds and capital receipts which is currently available as part of the 2018/19 – 2020/21 Housing Improvement capital programme. Such purchases would be subject to a favourable business case and the most appropriate funding package would be agreed by the Chief Finance Officer in consultation with Director of Corporate Services and Commissioning.

4.2.4 On completion of the purchase of 10 properties a further bid for Homes England will be submitted to for consideration.

### **4.3 Policy and Risk Implications**

4.3.1 The Council's Housing Development Strategy which aims to increase supply of affordable housing stock, 2013 (para. 4.4.1 Buy backs) includes a specific priority to consider the refurbishment of individual properties in areas requiring improvement, and this could include empty properties work, purchase and repair and acquisition or buy back, of council properties which have been purchased through right to buy by the tenant.

### **4.4 Corporate Plan Implications**

4.4.1 The Empty Homes Programme supports the priorities identified in the updated Corporate Plan 2018-20 in the following ways:

***To make Selby a Great Place to Enjoy Life***

- The Programme will broaden affordable housing availability and choice for residents in the District.

### **4.5 Resource Implications**

Implementing the acquisition of empty properties through voluntary purchase and buying back former council houses will generate additional rental income for the Housing Revenue Account which will help to maintain the sustainability of the HRA.

### **4.7 Equalities Impact Assessment**

The Empty Homes Strategy and Action Plan and HRA Business Plan are inclusive of the relevant protected characteristics of age; disability; gender reassignment; pregnancy and maternity; race; religion or belief; sex and sexual orientation. Neither document has a specific positive or negative impact on any one characteristic.

## **5. Conclusion**

5.1 The Housing Development Strategy and Empty Homes Action Plan established a range of options to increase affordable housing and bring empty

homes back into use. This includes the voluntary purchase of properties. Homes England has in addition made grant available to purchase empty properties and former council houses. This report seek approval to utilise the Empty Homes Programme funding for voluntary and compulsory purchase of empty homes and to buy back former RtB council houses, subject to an individual business case.

## **6. Background Documents**

Selby District Council's Development Strategy for increasing its supply of affordable housing stock, 2013 (Approved by Council 10<sup>th</sup> September 2013)

Selby District Council, Affordable Housing Supplementary Planning Document, 2010

Housing Development Programme 2017-20, Report to the Executive, 4<sup>th</sup> January 2017

Revenue Budget and Capital Programme 2018/19 and Medium Term Financial

Plan, report to Council 22<sup>nd</sup> February 2018

Empty Homes Strategy and Action Plan, Report to Executive 4<sup>th</sup> January 2018

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