

HOUSING SCHEME FOR BUYBACK OF EX-COUNCIL PROPERTIES

Cabinet Members	Councillor Ray Puddifoot MBE Councillor Phillip Corthorne
Cabinet Portfolios	Leader of the Council Social Services Health and Housing
Officer Contact	Andy Evans - Finance David Ollendorff - Residents Services
Papers with report	None

1. HEADLINE INFORMATION

Summary	On 21 November 2013 Cabinet agreed in principle to establish a scheme to buyback ex-council properties. This report outlines how the scheme will operate and be financed, and seeks Cabinet approval to proceed to implementation.
Contribution to our plans and strategies	The scheme will contribute to the London Borough of Hillingdon's Housing Strategy 2012-15, and will support the Council's vision of Putting Our Residents First.
Financial Cost	The approved HRA Capital Programme 2014/15 - 2018/19 for Purchase & Repair of properties has a budget of £9,766k that can be used to fund the scheme.
Relevant Policy Overview Committee	Social Services, Housing and Public Health
Ward(s) affected	All

RECOMMENDATIONS

That Cabinet:

1. Approves the implementation of the scheme as outlined in the report;
2. Delegates to the Deputy Chief Executive and Corporate Director of Residents Services, with the agreement of the Leader of the Council, authority to purchase properties, agree any necessary purchase prices and/or parameters and any other property transactions or decisions required to effectively implement the Scheme:

Reasons for recommendation

Cabinet resolved on 21 November 2013 to the principle of establishing an ex-Council property buyback scheme, on the basis that the details of the scheme and its implementation were reported back for future decision. This report outlines how the scheme will operate and be financed and seeks approval to implement it.

The scheme will have benefits for both the Housing Revenue Account (HRA) and the general fund. In terms of the former, the additional stock will help to sustain the HRA rental income whilst assisting in mitigating the financial pressure arising from the increased cost and requirements for temporary accommodation to house homeless households in the general fund. It will also allow the Council to apply some of the time-limited retained Right to Buy (RTB) receipts.

Alternative options considered / risk management

The Council could choose not to operate a buyback scheme, however the Council would not then have this option available to increase the supply of affordable housing, or be able to apply some of the retained RTB receipts.

The operation of the policy will be kept under review, given the potential for changes in the operation of right to buy scheme, wider housing finance regime and the state of property market. The purchase decisions will be considered on a case-by-case basis with the benefit of full market knowledge from valuations, the impact on the HRA business plan and Medium Term Financial Forecast (MTFF).

Policy Overview Committee comments

None at this stage.

2. INFORMATION

Background

The Right to Buy scheme was introduced in 1980 and gives qualifying social tenants the right to buy their home at a discount. During 2013 the Government increased the discount cap for London to £100,000 and this has accelerated sales. The maximum discount in London currently stands at £102,700 and is uplifted by the Consumer Price Index on the 1st April each year. Hillingdon sold 47 properties during 2012/13, 106 during 2013/14, and has sold a further 138 to the end of November 2014. At the same time the Council regularly receives enquiries from residents who are looking to sell their properties back to the Council, which could be facilitated through the implementation of a buyback scheme.

The funding for acquisitions through a buyback scheme will come from within the HRA. The council is able to retain the receipts from RTB sales for replacement housing using an agreement with Government which can be used to part fund the acquisitions within the scheme. The balance which is not met from RTB receipts, will utilise HRA resources and borrowing as required. The current HRA Capital Programme for 2014/15 to 2018/19 includes a budget of £9.766m for Purchase & Repair that is available to fund the scheme.

The acquisition of such properties offers a number of benefits, as part of a wider programme to deliver increases in housing units:

- Supports the sustainability of the HRA through replenishment of stock and replacement of rental income lost through RTB sales,
- Management and maintenance arrangements are already in place for such properties, and in many instances the properties are leasehold with the council as landlord.
- It allows a relatively quick application of RTB receipts when compared to new build schemes, which will support the maximum application of RTB receipts within allowable timescales.
- It will assist in mitigating the general fund pressures on temporary housing accommodation by increasing the supply of affordable housing,
- The dwellings are normally offered at a discount to the local market due to their location.

It is not currently known what level of conversion into actual purchases will be achieved as much will depend on valuation and purchase price negotiations and the location and type of properties that are purchased. However, this scheme, if implemented, will complement other initiatives aimed at increasing numbers of housing units and utilising the retained RTB receipts - which are included in the existing MTFF - such as the General Needs New Build and Supported Housing Programmes.

Supporting Information and operation of the Scheme

During 2014 expressions of interest were sought through a targeted letter which invited interested owners to complete an on-line form. Expressions of interest were received back from almost 250 owners, the majority of which were leaseholders but also included a small number of freeholders. The mailshot excluded any leasehold properties where the leasehold interest was held by a Registered Social Landlord (RSL), and also made it clear that the Council could not give any obligation that the property would be purchased.

As a general principle the scheme will prioritise properties based on their cost, size, condition and location to ensure the best value is obtained. An initial shortlist has been compiled from the expressions of interest which takes into account the following considerations:

- The Council will only be purchasing properties with vacant possession, and priority will be given to properties that are empty, to reduce the possibility of delays.
- Any sub-let properties being used for temporary accommodation of clients on the Housing Register will be excluded at this time.
- In view of the lower value of property prices and the priority housing need requirements, the initial focus will be on the repurchase of two and three bedroom properties in the south of the Borough.
- Any tenant who purchased a property under the Right to Buy Scheme would have to repay a proportion of the discount they received if they sell within the first five years.

Once inspection has been undertaken by the Valuer, and provided that it is considered appropriate and feasible to repurchase the property within a reasonable period of time, each individual acquisition will be submitted for approval. It is proposed that delegated authority is given to the Deputy Chief Executive and Corporate Director of Residents Services, in conjunction with the Leader of the Council, to approve the formal offer of sale, the proposed purchase prices relating property decisions. Each offer will be "subject to contract",

vacant possession and achieving a target date for exchange. The completion of the transaction will be subject to the Council's usual capital release process.

The current rules concerning the RTB scheme state that a person has to be a council tenant for a minimum of 5 years before they can achieve the maximum discount under the scheme, but is expected to reduce to three years during 2015 as part of the Deregulation Bill currently before Parliament. The cost floor determination (Section 131 of the Housing Act 1985) will also apply to any acquisitions within the scheme for a period of up to 15 years from the date of purchase. This limits the Right to Buy discount to ensure that the purchase price of the property does not fall below what has been spent on building, buying, repairing or maintaining it over that period. In practice this would ensure that if the cost floor is higher than the market value the property would be sold at market value - regardless of the tenant's discount entitlement - or alternatively if the cost floor is lower than market value, but higher than the discounted market value, the property would be sold at the cost floor value.

Financial Implications

The current HRA capital budget for 2014/15 to 2018/19 includes provision of £9,766k to support the Purchase and Repair of former Council properties as approved in the 2014/15 budget. It is not certain as to the exact number of units that will be acquired at this early stage, but existing market data for 2 and 3 bedroom ex-council properties would suggest that it should be possible to purchase approximately 50 properties from this budget, if a suitable number come forward.

As these are replacement homes the Council can use the retained RTB receipts to part finance the acquisitions. The application of net RTB receipts is usually limited to 30% of the cost of replacement homes, but Housing Finance regulations allow this to be increased to 50% in the case of ex-council properties, subject to a cap of 6.5% of the overall net receipts. The balance not covered by the RTB receipts, will utilise HRA resources and borrowing as required, with the necessary funding assumptions already built into the existing HRA MTFF and business plan. The application of RTB receipts to such a scheme will assist in meeting the Council's obligation to apply retained RTB receipts within three years of receipt. If these receipts are not utilised within the allowable timescales they are returned to central Government and an accrued interest charge is levied.

The acquisitions will also replace some of the lost rent from the sale of RTB properties in the HRA and can also contribute to increasing the more general supply of affordable housing units, and assist in reducing the pressures on temporary accommodation spend in the general fund. As the acquisitions are alongside existing Council stock there will be economies of scale in terms of the ongoing management and maintenance costs. The cost floor determination gives protection for up to 15 years with regard to future RTB discounts on the acquired properties.

It is anticipated that the staffing implications of the scheme and any marginal costs in terms of undertaking valuations and legal procedures to support the timely conveyance of the properties can be managed within existing resources and budgets.

3. EFFECT ON RESIDENTS, SERVICE USERS & COMMUNITIES

What will be the effect of the recommendations?

The recommendations will assist in meeting the objectives of the Council's Housing Strategy 2012-2015 and specifically support managing the supply, through increasing the provision of affordable housing within the Borough.

Consultation Carried Out or Required

No consultation is required to implement the changes proposed in this report.

4. CORPORATE IMPLICATIONS

Corporate Finance

The scheme for the buy-back of ex-Council properties outlined in this report is intended to replenish lost housing stock within the HRA, thereby supporting the financial sustainability of the Council's social landlord function. In addition, the increased supply of affordable rented accommodation will reduce the pressures within the Council's General Fund associated with the use of temporary accommodation to manage homelessness.

As detailed in the financial implications above, these purchases will enable the use of retained Right-to-Buy receipts which could otherwise become repayable to the Department for Communities and Local Government - thereby avoiding an interest charge of 4% plus base rate being borne by the HRA. The current cost floor mechanism, if maintained by central Government, will prevent any sale of repurchased properties to future tenants for less than the purchase price, or prevailing market value if lower, for a period of fifteen years.

Legal

The Borough Solicitor confirms that there are no legal impediments to Cabinet authorising the purchase of former Council properties.

Section 9 of the Housing Act 1985 enables the Council "to acquire housing accommodation".

Corporate Property

Corporate Property and Construction has been consulted regarding the implementation of the buyback scheme, specifically concerning arrangements for the valuation of properties in the scheme. The valuation report will be carried out by a suitably qualified Valuer and will give the market value with vacant possession for each property inspected.

5. BACKGROUND PAPERS

NIL