

**SUBJECT: CITY OF LINCOLN COUNCIL ACQUISITION POLICY FOR DEVELOPMENT SITES, FORMER COUNCIL AND EMPTY HOMES**

**DIRECTORATE: DIRECTORATE OF HOUSING AND INVESTMENT**

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## 1. Purpose of Report

- 1.1 To present the draft City of Lincoln Council Acquisition Policy (See appendix 1 for Acquisition Policy) for development sites, former council and empty homes and the introduction of a grant scheme to enable a transfer of Right to Buy receipts to increase the supply of affordable homes and to bring more empty homes back into use.

## 2 Background

- 2.1 Under the latest Right to Buy (RtB) regulations owners of former council homes purchased under RTB regulations must, if they wish to re sell their property within ten years of their initial purchase, offer it to their former landlord (the council), or another social landlord. Should the sale take place within the first 5 years of their ownership they must also repay a percentage of the RTB discount they have received on the purchase of the property.
- 2.2 Local Authorities have the ability to reinvest Right to Buy receipts within Retention Agreements (so-called 1-4-1 capital receipt agreements) for a period of 3 years. RtB receipts can used for 30% of the capital costs of purchase and repair of a property or new build on the basis that they provide a one for one replacement for social housing (as defined by section 68 (1)(a) of the Housing and Regeneration Act 2008.)
- 2.3 In recent years there has been an increase in the number of properties sold by the council through Right to Buy as shown in the following table.

Year	Total no of Sales	Projected sales in the Self-financing Agreement	Additional sales which give a useable receipt
17/18	67	21	46
16/17	62	20	42
15/16	53	20	33
14/15	35	19	16
13/14	32	17	15
12/13	24	15	9

- 2.4 As a result of the increase in sales of council homes there will be an additional pressure on the council to spend retained capital receipts for the purposes on RtB replacement. Any underspend of retained capital receipts will have to be returned

to the Secretary of State with interest of 4% above the base rate on a day to day basis compounded with three monthly rests.

- 2.5 It should be noted that following a consultation from the Ministry of Housing, Communities and Local Government on the rules of Right to Buy and use of RtB receipts in August 2018 we are currently awaiting the Government's announcement regarding any amendments made pursuant to section 11(6) of the Local Government Act 2003. Any changes to the Act in relation to use of RtB retained capital receipts agreement will require amendments to this policy.
- 2.6 The council currently has a Selective Buy Back Policy, approved by Executive in June 2014. At this time the policy gave the Director of Housing and Community Services delegated authority, in consultation with the Director of Resources, to consider and approve the terms for purchase of former council properties bought through Right to Buy. The policy gave approval on an individual property by property basis taking into account value, negotiated purchase price, cost of any refurbishment works and ongoing repairing responsibilities and future rental income. In 2018/19 we have purchased 3 former council properties under the Selective Buy Back Policy.
- 2.7 Lincoln's Housing Strategy 2017 – 2022, adopted in February 2017, includes a target to bring 50 empty homes per annum back into use. The Empty Homes Strategy was adopted in March 2018 outlining the council's approach to reduce the number of empty homes. An assessment of all homes empty for over 2 years has been completed and an action plan is in place to bring properties back into use. In 2018 this has resulted in 32 empty homes being successfully brought back into use through council intervention. Despite this the number of empty homes remains high at 430, as of January 2019.
- 2.8 Addressing empty homes is a priority within the Sincil Bank Regeneration Programme due to the impact on the local street scene, antisocial behaviour and the overall feeling of neglect. There are currently 19 properties that have been empty for 4 years or more and this figure is growing year on year. For these reasons Sincil Bank is of strategic priority for the purchase of empty homes. This is supported by the high demand for 1 and 2 bedroom properties in the city centre from householders currently on the housing register.

### **3 Housing Need and Demand**

- 3.1 The council's emerging new homes strategy reviews the evidence of housing need which is broken down to ward area and housing size. For householders currently living in council homes there is a total of 309 that are classed as over crowded highlighting a high demand for 3 and 4 bedroom properties in all areas of the city but particularly in St Giles, Birchwood and Boultham Moor.
- 3.2 The housing register includes 543 householders requiring a council property in Lincoln for the first time. Of these households 47% require a 1 bedroom property and 34% require a 2 bedroom property. The highest demand for 1 bedroom and 2 bedroom properties are in the city centre. However there is also a high demand for 3 and 4 bedroom properties in the city centre.

- 3.3 There are currently 94 households in temporary B&B accommodation, this number fluctuates throughout the year. The CoLC are legally required to find alternative accommodation within 6 weeks in either the private rented sector, affordable rented housing sector or council housing.
- 3.4 Council housing need data is updated on a monthly basis, to ensure that the information accurately reflects the ongoing fluctuations in the number of people on the housing register.
- 3.5 The council's new homes programme will aim to relieve the housing need and meet demand by increasing the supply of new homes to be built in Lincoln. However due to the availability of land there are limits to the extent to which building new homes can meet the demand for homes. As such, alongside the new homes programme, the acquisition of former council homes and bringing empty homes back into use should be part of a package of measures to meet the demand for homes in all areas of the city.

#### **4 Criteria for Acquisition of former council homes**

- 4.1 It is proposed that former council properties that are offered back to the council for purchase or are for sale on the open market will be assessed and a business case prepared with a recommendation to either purchase or reject the property. The number of properties purchased per annum will be determined by the amount available in the council's RtB retained capital receipts fund.
- 4.2 The decision to purchase properties will be dependent on a business case and considered on a property by property basis which would be determined by the following factors:
- The decision to purchase individual properties funded by retained capital receipts will be considered alongside any planned or potential purchase of larger sites/properties. Larger sites/properties will be prioritised over individual properties if at any time there is a limit on the availability of the council's retained capital receipts.
  - The purchase price and refurbishment costs (up to £170 000) will be met by 30% RtB receipts and 70% through prudential borrowing or resources within the Housing Investment Programme, whichever is determined most financially prudent at the time of purchase. The non-availability of any RtB receipts will, however, not restrict the purchase of individual properties if there is still a business case to support purchase.
  - The viability of the purchase, refurbishment and borrowing costs will be assessed against rent levels as set out in the council's rent policy to ensure that all purchased properties are self funded.
  - There is a specific housing need for the type, size and location of the property that is being offered, in accordance with the council's housing register.
  - A property is considered of strategic importance, for example individual units within a council owned block or located within the council's defined regeneration area.

- The property is purchased with vacant possession.
- Each party will bear the costs of their own legal and valuation fees.

4.3 The following process for the acquisition of former council homes will be adopted:-

- Properties identified through the Right to Buy Officer will be signposted to the Housing Strategy Team (HST).
- The HST will determine if the property meets a strategic housing need and if so arrange to visit the property to carry out survey for any works needed and prepare a business plan. (see appendix 1 for a template business plan)
- HST to request valuation, to be carried out or commissioned by the Property Services team.
- HST to present business plan, valuation and propose offer price to the Strategic Property Manager for validation.
- Under delegated powers the Director of Housing and Investment, in consultation with the Chief Finance Officer, will review the offer price and approve the purchase.
- Strategic Property Services Manager to negotiate a purchase price with the property owner.
- If the offer price is accepted HST to instruct a solicitor and request a RICS Condition Report or more detailed survey if required depending on the condition of the property.
- HST to liaise with Investment Team/Housing Repairs Team to schedule programme of works.

## **5. Criteria for acquisition of strategic land sites and private housing.**

5.1 The council are on occasions approached directly by landowners offering to sell vacant, recently developed housing sites or individual private properties. It is proposed that residential sites offered to the council for sale directly or that become available on the open market are assessed to determine if they meet the council's strategic priorities and a defined local housing.

5.2 Due to the financial costs and resources required by the council to purchase land/properties, larger sites will be prioritised over individual properties if resources are limited at any time.

5.3 The decision to purchase sites will be dependent on a business case and considered on a site by site basis which would be determined by the following factors:

- The viability of the purchase, new build/refurbishment and borrowing costs will be assessed against rent levels as set out in the council's rent policy to ensure that all development/developed sites/private properties are self-funded.

- The council will undertake land valuations (to be appointed internally or externally depending on the expertise/capacity available at the time) and ground surveys where necessary when considering any purchase of land sites.
- The purchase price and refurbishment costs will, in the first instance, be met by 30% RtB receipts with the balance of 70% through prudential borrowing or resources within the Housing Investment Programme. The non-availability of any RtB receipts will, however, not restrict the purchase of individual properties if there is still a business case to support the purchase.
- Where RtB receipts are used to purchase sites there is a specific housing need in location that is being offered, in accordance with the council's housing register.
- Where a site is purchased with existing housing the properties are sold with vacant possession.
- Each party will bear the costs of their own legal and valuation fees.

5.4 A business case for all sites identified for purchase by the council will need to be presented to Executive for approval unless an urgent decision is required in which case Executive delegations are in place in consultation with the Leader, Deputy Leader, Portfolio Holder of Economic Growth, Chief Finance Officer and City Solicitor.

## **6. Proposed approach to working with Registered Housing Providers to deliver more affordable homes in Lincoln.**

6.1 The use of retained capital receipts can be utilised for RtB replacement of a range of affordable housing products. RtB receipts can be transferred to Registered Housing Providers (RPs) to provide 30% of funding to deliver affordable housing within Lincoln. This option has never been previously been fully explored by the council.

6.2 To increase the number of empty homes brought back into use and further increase the supply of new build affordable housing the council is proposing to introduce an innovative capital grants programme using RtB capital receipts which otherwise would be returned to the Treasury with interest if not spent within 3 years.

6.3 The criteria for the grant scheme will be set out to meet the Government's funding rules and will include the following:-

- The council will require RPs to enter into a nomination agreement active for a period of 60 years from the practical completion date in relation to 100% of all new lettings and 75% of subsequent lettings of the homes delivered
- The grant funding element from the Council, or any other public body, cannot exceed 30% of the total amount invested in the capital delivery of the project.

- Funding from the Right to Buy Replacement Programme Grant Fund cannot be used in combination with funding from Homes England. However a split development site with more than one project could qualify so long as funds from the Council and Homes England are not invested in delivering the same project.
- Payment of grant will be at pre-agreed stages which will form part of the grant agreement with the Council.
- Strict time limits will apply to the delivery of the project and funding claims in accordance with Government funding rules for the RTB funding.
- The RP will be required to submit regular monitoring delivery reports at the end of each quarter relating specifically to:-
  - starts on site;
  - spend on each individual project
  - key programme milestones

6.4 The grant will cover the following heads of expenditure:-

6.4.1 **Acquisition**

- Purchase price of land/site
- Stamp duty land tax on the purchase price of the land/site

6.4.2 **Works**

- Main contract costs (excluding any costs defined as on costs)
- Major site development works (where applicable). These include piling, soil stabilisation, road/sewer construction, major demolition
- Statutory agreements, associated bonds and party wall agreements (including all fees and charges attributed to such works) where applicable.
- Additional costs associated with complying with archaeological works and party wall agreement awards (including fees charges and claims attributable to such works) where applicable
- Unrecoverable VAT on the above (where applicable)

6.4.3 **On costs**

- Legal fees and disbursements
- Net gains losses via interest charges on development period loans
- Building society or other valuation and administration fees
- Fees for building control and planning permission

- Fees and charges associated with compliance with European Union directives, and any requirements relating to energy requirements of dwellings, Eco-homes certification and Housing Quality Indicators.
- In-house or external consultant's fees disbursements and expenses (where the development contract is a design and build contract) see note 1 below
- Insurance premiums including building warranty and building defects liability insurance (except contract insurance included in works cost)
- Contract performance bond premiums
- Borrowing administration charges (including associated legal and valuation fees)

## **7. Strategic Priorities**

### **7.1 Let's deliver quality housing**

Bring empty properties back into use

Deliver and facilitate at least 400 new homes by 2020

## **8. Organisational Impacts**

### **8.1 Finance (including whole life costs where applicable)**

Any purchase of land or properties made by the council can be financed up to 30% of the purchase price and any associated costs e.g. Surveyor fees, legal fees etc. from retained capital RtB receipts, subject to availability. The remaining 70% of costs will be met from prudential borrowing and/or resources within the Housing Investment Programme. Although in the first instance the Council will seek to use available RtB receipts each individual purchase will be assessed and the most appropriate source of finance will be determined on a case by case basis.

8.1.2 All council dwellings are subject to the secure tenant's Right to Buy, even new dwellings and any that may be purchased under an "Acquisition Policy" However, the 'cost floor' rules prevent properties from being sold for less than the investment made in the property. This protection of the council's investment lasts for 15 years. The whole life costs would need to be considered on an individual property by property basis taking into account value, negotiated purchase price, cost of any refurbishment works & ongoing repairing responsibilities and rental income.

8.1.3 All applications for the grant scheme will have to comply with the MHCLG's funding rules and these are set out in the Right to Buy Replacement Programme Grant Fund Assessment Criteria and Scheme requirements (see appendix 1) The applicant will have to set delivery timescales for projects which must be adhered to in order to trigger

grant payments.

## **8.2 Legal Implications including Procurement Rules**

The Council's Legal Services Team will undertake conveyancing work, the cost of which would be contained within existing HRA resources.

### **8.2.1 Equality, Diversity and Human Rights**

The Public Sector Equality Duty means that the Council must consider all individuals when carrying out their day-to-day work, in shaping policy, delivering services and in relation to their own employees.

It requires that public bodies have due regard to the need to:

- Eliminate discrimination
- Advance equality of opportunity
- Foster good relations between different people when carrying out their activities

Increasing the Council's housing portfolio reflecting the local needs and demand (e.g. for larger accommodation, bungalows or property that is or could be readily adapted) would help to provide suitable accommodation for larger families and disabled people with specific needs.

### **8.3 Land, Property and Accommodation**

The Housing Strategy & Investment team would carry out an inspection of any property being considered for purchase to determine any costs that may be incurred to bring the property up to the Lincoln Homes Standard. If the property is considered suitable to buy the Property Services Team would be asked to value and negotiate a purchase price for the property.

## **9. Risk Implications**

### **9.1 (i) Options Explored**

The Acquisition Policy is just one of a range of options the council can use to increase the supply of affordable homes. Such a policy if approved would supplement the new homes programme and partnership working with other social housing providers to provide additional affordable homes in the city.

### **9.2 (ii) Key risks associated with the preferred approach**

As set out in this report all proposals for buyback and acquisition opportunities should be based upon robust business cases that are developed by the relevant technical officers, and external advice if required, with all due diligence processes having been undertaken, ensuring compliance with the financial stewardship duty that the Council

holds to its rent payers.

**10 Recommendation**

10.1 For Executive to consider and approve the draft City of Lincoln Council Acquisition Policy Report.

**Is this a key decision?** Yes

**Do the exempt information categories apply?** No

**Does Rule 15 of the Scrutiny Procedure Rules (call-in and urgency) apply?** Yes

**How many appendices does the report contain?** None or insert number

**List of Background Papers:** Draft City of Lincoln Council Acquisition Report

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