
Report of Head of Housing Partnerships

Report to Housing and Regeneration Scrutiny Board

Date: 9th December 2014

Subject: Empty Property Buy Back Scheme

Are specific electoral Wards affected? If relevant, name(s) of Ward(s):	No
Are there implications for equality and diversity and cohesion and integration?	No
Is the decision eligible for Call-In?	No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: Appendix number:	No

Summary of main issues

1. The Council made a successful bid to secure £440k of Homes and Communities Agency (HCA) funding to supplement £1,183K of Housing Revenue Account (HRA) funding to buy back 20 long term empty properties that had been bought under the Right to buy scheme and return them to council, housing. The funding was also to support the conversion of two empty community centres back into council housing.
2. As at 8th November 2014 14 empty homes have been bought and 6 properties are undergoing conveyancing having agreed a purchase price. 9 properties have been re let.
3. The project has come in under budget and with the agreement of the HCA a further two properties will be bought with the HCA supplying additional funding to supplement the HRA element.
4. The success of the scheme prompted the Council to make a further bid for HCA funds under the 2015/18 Affordable Housing Programme. The bid was successful and the Council will receive £1.8m funding from the HCA to supplement £7.2m funding from the HRA to buy back 100 long term empty properties.

Recommendations

5. The Housing and Regeneration Scrutiny Board is asked to note the success of the empty property buy back scheme.

1 Purpose of this report

1.1 This report provides the Housing and Regeneration Scrutiny Board with details surrounding the Empty Property Buy Back Scheme

1.2

2 Background information

2.1 The Right to Buy scheme was introduced in the 1980 Housing Act. The rules governing Right to Buy were changed in 2005. Key facets of the scheme are:

- Five years tenancy is now required before new tenants can qualify
- Properties bought after January 2005 can no longer be placed on the open market without offering the Council first right of refusal
- If a property is sold within five years of purchase the owner must pay back a proportion of the discount received based on the current value of the property. This is reduced by 20% for each complete year which has elapsed since the original purchase
- Once purchased the new owner can sub-let the property
- It is the responsibility of the owners' lawyers to ensure that the Council is notified of a prospective sale that may generate the Right of First Refusal. The charge on the property in this regard is also entered on the Land Registry.
- If a tenant wishes to buy a newly built, acquired or a bought back council house, then the purchase price is limited to the costs the Council incurred in obtaining the property and this limitation lasts for 15 years from the acquisition date by the Council. Discount received by the tenant could therefore be nil or limited.

2.2 Since the Right to Buy Scheme came into being 30,788 council houses have been sold up to the end of 2013/14.

2.3 The Council has for some years recognised the importance of reducing the number of empty homes in the city. Whilst empty homes are part of natural turn over in a city many would remain empty without intervention. Action to return such properties into occupation not only benefits a city by increasing the supply of houses for occupation but also adds to the Council's New Homes Bonus, improves streets and communities, removes blight and reduces opportunities for vandalism and anti-social behaviour.

2.4 At 31st March 2010 there were 6,721 long term empty properties in the city, over six months empty. Due to the Council's efforts with its partners that figure had reduced to 4,747 by 31st March 2014.

- 2.5 In April 2012 Local Authorities were given full control of the HRA, this included a re-allocation of original debt across all Local Authorities. Leeds benefited significantly from this process. In addition the Council was now allowed to retain its rental income and re-use any surpluses created within year.
- 2.6 All of the above factors played a part in the Council deciding to make a significant investment in building new council housing and part of this was a bid for HCA funding under their “Bringing Empty Homes back into use as Affordable Housing” bidding round run by the HCA. The Council made a successful bid to buy back 20 empty former council houses and to convert 2 empty community centres into council housing. The Council received £440k HCA funding to supplement £1,183k funding from the HRA. Under the bidding rules the money has to be spent by 31st March 2014. The Council is on target to deliver the programme with 14 properties bought and a further 6 properties under going conveyancing. Plans for the conversion of both community centres have received planning permission and work has commenced on site.

3 Main issues

- 3.1 The Department receives monthly downloads from Council tax of all empty properties on the Council Tax records. The Department uses this information as the basis for all its work on empty properties. In the specific case of the “buy back” work the data was further analysed to determine which properties were former council houses and would not require any discount to be repaid.
- 3.2 Property owners were written to and asked if they wished to sell their empty home to the Council. From the responses a master list was created and a guide to the likely market price was established. As this was a new concept it was agreed to initially target properties with a likely sale price of under £100k to ensure that the project remained within budget.
- 3.3 Once it had been established that an owner wanted to sell, the property had a natural fit with properties managed by Housing Leeds and it was lettable and sustainable, a joint visit to the property is carried out by officers from Asset Management to establish a valuation for the property and officers from Housing Leeds Property and Contracts Division to establish any refurbishment costs. An offer is then made to the owner and sale negotiations commence.
- 3.4 The average purchase price to date has been £71,653 with an average refurbishment cost of £7,485 on properties refurbished. Other costs such as Legal average £648 per property purchased. This gives a total cost of £79,786 per property purchased and the average time to make a return on the investment is 17 years.
- 3.5 These costs compare favourably with the cost of new build. For example the full cost of developing the 24 units on the Garnets site is £121,570 per unit. This includes build costs, ground preparation costs and all fees..

4 Corporate Considerations

4.1 Consultation and Engagement

- 4.1.1 Prior to bidding the Department undertook a number of meetings with the HCA about the bid requirements and agreed the bid with the Executive Member prior to submission.

4.2 Equality and Diversity / Cohesion and Integration

- 4.2.1 There are no specific issues relating to Equality and Diversity / Cohesion and Integration.

4.3 Council policies and City Priorities

- 4.3.1 Reducing empty properties in the city is a Council priority. The Council has agreed a figure of 400 long term empty properties to be returned for the next five years as part of its core strategy targets.

4.4 Resources and value for money

- 4.4.1 The resources for the current and future scheme are being met through the HRA supports by funding from the HCA.
- 4.4.2 The average cost of buying back a long term empty, including refurbishment costs and other associated costs such as Legal fees is £79,786. This compares to a new build cost at the Garnets site of £121,570.

4.5 Legal Implications, Access to Information and Call In

- 4.5.1 The Council is in contract with the HCA to deliver according to the bid. The contract has been approved by the Council's Legal Services Department. Regular monitoring meetings are held between the Council and the HCA to ensure that the programme is on target.

4.6 Risk Management

- 4.6.1 The project is managed by a project group that reports to the Council Housing Growth Programme Board which is chaired by the Director of Environments and Housing.
- 4.6.2 The Board manages risks through the normal risk management procedures for Programme Boards with risks updated at every monthly meeting of the Board.

5 Conclusions

- 5.1 The Council is committed to reducing the number of long term empty properties in the city and has had considerable success in the last four years.
- 5.2 The Council is also committed to a significant council house growth programme. To maximise growth numbers the Council is utilising new build, acquisition and buying back long term empty properties.
- 5.3 The current buy back scheme has proved extremely successful and is held in high regard by the HCA.

- 5.4 The success of the scheme has led to a further scheme to buy back 100 long term empty properties between 2015 and 2018 funded by the HRA with support funding from the HCA.

6 Recommendations

- 6.1 The Housing and Regeneration Scrutiny Board is asked to note this report.

7 Background documents¹

- 7.1 None

¹ The background documents listed in this section are available to download from the Council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.