

Agenda Item No:

Report author: Diane McPhee &  
Wendy Myers

Tel: 3787687

**Report of:** Head of Land and Property

**Report to:** Chief Officer Asset Management and Regeneration & Chief Officer for Resources and Housing

**Date:** May 2019

**Subject:** Ex-council properties to be acquired by the Council and returned to council housing stock - various addresses

Are specific electoral Wards affected?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
If relevant, name(s) of Ward(s):	Various	
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Is the decision eligible for Call-In?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
If relevant, Access to Information Procedure Rule number:	<b>10.4(3)</b>	

### Summary of main issues

1. The Housing (Right of First Refusal) (England) Regulations 2005 requires owners of former council housing stock acquired through the right to buy scheme to offer it back to the Council if the owner decides to sell within a certain number of years of acquisition. Some of the properties detailed herein fall into The Housing (Right of First Refusal) (England) Regulations 2005, others are properties which have been voluntarily offered back to the Council for re-purchase.
2. The Council Housing Growth Programme has a challenging target to deliver a minimum of 300 new council homes a year to contribute to an overall affordable housing target of 1,230 homes annually across the city from 2019. This will be achieved predominately through a new build programme but is also being complemented by a smaller programme of property acquisitions. Suitable properties can be acquired through the Right of First Refusal (ROFR) regulations. This report identifies a number of such properties and recommends for approval their acquisition.
3. It has been agreed with capital finance and the Director of Resources and Housing that the first batches of acquisitions will be funded from existing Council Housing Growth Programme unallocated budget.

## Recommendations

4. It is recommended that the Council acquires the ex-council properties detailed in the confidential appendix under the ROFR process along with other ex-council properties that have been voluntarily offered back to the Council, and returned to council housing stock.
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### 1 Purpose of this report

- 1.1 The purpose of this report is to recommend the terms upon which the Council will re-purchase the properties detailed in the confidential appendix under the terms of ROFR process.

### 2 Background information

- 2.1 The Housing (Right of First Refusal) (England) Regulations 2005 (ROFR), which came into force in August 2005, require owners who bought their council home through a Right to Buy and who want to sell it within 10 years of their original purchase must offer it to the council. In addition to the Right of First Refusal, the Council also receives voluntary offers from homeowners who wish to sell their former council properties even where the regulations do not apply, for example if more than 10 years has elapsed.
- 2.2 A capital injection was approved into the Council Housing Growth Programme by Full Council in February 2019, to support a three year property acquisitions and buyback programme. The Council Housing Growth Programme has a target to deliver a minimum of 300 additional Council houses across the city from 2019. This will be achieved predominantly via a substantial new build programme, but will also be complemented by a smaller programme of property acquisitions, with an initial focus on former Council properties sold under the Right to Buy scheme, including properties to which the statutory right of first refusal regime applies.

### 3 Main issues

- 3.1 Each potential property buy back has been assessed on its own merits, against both Council Housing Growth objectives and also in the context of local housing needs.
- 3.2 All the properties detailed in the appendix have been valued by Land & Property Officers following a full inspection. At the same time, a technical assessor from the Council Housing Growth Programme also carried out an inspection, providing a Stock Condition Survey report. Both reports have been submitted to the Council Housing Growth Team to ascertain whether the property is suitable for repurchase and within the parameters of the target budget for each acquisition. Properties to which the Right of First Refusal Regulations apply must be offered back to the Council at market value. The Council assessment of market value is issued by Legal Services by services of a notice under the ROFR regulations (where applicable) to the owners of the properties.
- 3.3 In circumstances where a former tenant who exercised their Right to Buy subsequently sells their property within 5 years of the Right to Buy sale completion date, they are liable to repay a proportion of the Right to Buy discount received as determined under the Housing Act 1985 (this applies whether or not they sell it back to the authority). Where this applies to a property it is set out in the appendix. This amount will be deducted from the purchase price on completion. The costs

associated with reacquiring these properties will be met from the council's capital funding allocated to the Council Housing Growth Programme. Refurbishment works to bring the properties to lettable standard will also be funded from the programme budget.

3.4 On the 17 April 2019 The Director of Resources and Housing:

1. "Authorised the required expenditure to enable the programme to progress the first tranche of property acquisitions as detailed in Confidential Appendix A. These acquisitions to be funded from existing Council Housing Growth Programme unallocated budget, made up of a combination of Housing Revenue Account (HRA) and Right to Buy receipts.

2. Noted that a report will be submitted to Executive Board in June 2019 to secure Authority to Spend approval for the overarching 3 year property acquisitions programme.

3. Noted that a report is being submitted in parallel to the Director of City Development to request approval to acquire these assets for Housing & Resources so that they can be returned to Council Housing Stock."

3.5 Housing Leeds has agreed to take on the responsibility and management of the properties.

3.6 Terms for the acquisitions are detailed in the attached confidential appendix.

## **4 Corporate Considerations**

### **4.1 Consultation and Engagement**

4.1.1 As part of the established process for this programme The Council Housing Growth Programme has engaged Housing Management, Housing Finance, Land and Property, and other internal stakeholders in relation to these potential acquisitions.

4.1.2 Housing Leeds has confirmed the properties are suitable for reintroducing to council stock to meet local housing needs. They have also agreed to take on the future management and responsibility for the properties.

4.1.3 The Executive Member for Communities has been consulted and is supportive of the Programme. Housing Growth Team advised Ward Members of the Wards in which the houses in the confidential appendix are located of the Council's intention to repurchase these properties under the ROFR scheme. See confidential appendix for further details.

### **4.2 Equality and Diversity / Cohesion and Integration**

4.2.1 There are no equality issues arising from this proposal.

### **4.3 Council Policies and City Priorities**

4.3.1 These acquisitions will assist in meeting the Council's priorities through the provision of additional social housing stock.

4.3.2 The development of new council housing will address priorities within the City Priority Plan to provide additional affordable housing and support housing growth.

The development will contribute to the delivery of one of the Council's Breakthrough Projects, 'Housing Growth and High Standards'.

4.3.3 Housing has been identified as one of the Best City priorities and this programme will directly support the following priorities:

- Housing of the right quality, type, tenure and affordability in the right places;
- Minimising homelessness through a greater focus on prevention.

4.3.4 The programme will also directly contribute to the achievement of a number of the key performance indicators the council will use to measure success including:

- Growth in new homes in Leeds;
- Number of affordable homes delivered;

#### **4.4 Resources and Value for Money**

4.4.1 Each property proposed for repurchase has been individually assessed using an annuity model to confirm the investment is financially viable.

4.4.2 The properties will become the responsibility of Housing Leeds and will be re-let.

4.4.3 Funding for the acquisitions is made up of a combination of Housing Revenue Account and Right to Buy receipts. Approvals are being sought from the Director of Resources and Housing for these initial acquisitions. The current capital scheme approval No. 16692/000/000 is being used to acquire these properties. Housing Leeds has confirmed it will take on management responsibility for the properties.

#### **4.5 Legal Implications, Access to Information and Call In**

4.5.1 Under Part 3, Section 3E(g) of the Council's Constitution (Officer Delegation Scheme (Executive Functions)) the Director of City Development has authority to discharge any function of the Executive in relation to Asset Management.

4.5.2 The information contained in the Appendix to this report relates to the financial or business affairs of a particular person, and of the Council. This information is not publicly available from the statutory registers of information kept in relation to certain companies and charities. It is considered that since this information was obtained through one to one negotiations for the purchase of the land/property referred to then it is not in the public interest to disclose this information at this point in time. Also the release of such information would or would be likely to prejudice the Council's commercial interests in relation to and undermine its attempts to acquire by agreement similar properties in the locality in that owners of other similar properties would be aware about the nature and level of consideration which may prove acceptable to the Council. It is considered that whilst there may be a public interest in disclosure, much of this information will be available from the Land Registry following completion of the purchase and consequently the public interest in maintaining the exemption outweighs the public interest in disclosing this information at this point in time. It is therefore considered that this element of the report should be treated as exempt under rule 10.4.(3) of the Access to Information Procedure Rules.

#### **4.6 Risk Management**

#### 4.6.1 The risks associated with the proposed acquisitions are considered below:

There is a risk that once the acquisitions are complete, further works to the properties may be required which were not identified initially and this could lead to increased costs. However, a thorough condition inspection is carried out on each property and a detailed cost report prepared prior to re-purchase. This ensures that the condition of each property is known.

#### 4.6.2 Delivery of the proposals set out in this report will contribute to mitigating one of the council's corporate risks around failure to meet additional housing supply targets and the consequent lack of homes for people in Leeds.

#### 4.6.3 The financial viability assessments undertaken in relation to these acquisitions have included consideration of the potential financial risk to the council should there be a further right to buy of the re-acquired property in the future. There is a risk that in the initial 15 years following acquisition by the council it could make a loss if there was a downturn in the market and the tenant exercised their right to buy at a point where the market value was lower than the amount the council paid for and invested in the property.

## 5 Conclusions

5.1 The properties detailed in Confidential Appendix have been individually assessed and confirmed as being of a type, size and in such locations that repurchasing them will contribute to meeting locally defined social housing needs.

5.2 The associated costs have been assessed by finance represent viable investments, and value for money.

5.3 It is concluded that the acquisition of the properties detailed in confidential appendix are suitable for repurchase to be returned to Council housing stock.

## 6 Recommendations

6.1 It is recommended that the Council acquires the ex-council properties detailed in the confidential appendix under the ROFR process along with other ex-council properties that have been voluntarily offered back to the Council, and returned to council housing stock.

## 7 Background documents<sup>1</sup>

7.1 None

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<sup>1</sup> 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.