

## Housing Acquisition Policy

### Amendment to Enable the Acquisition of Ex-Council Properties Offered Back to the Council through Right to Buy legislation

#### Decision under Delegated Powers

#### Officer Making the Decision

Alison Simmons - Head of Strategic and Private Sector Housing

#### Recommendation

To approve minor amendments to the Housing Acquisition Policy following a review of the Policy.

#### Reason

The Policy will be monitored and reviewed on an annual basis or more frequently if it is considered appropriate.

#### Authority for Decision

On the 10<sup>th</sup> May 2018, Cabinet approved a New Housing Acquisition Policy and resolved that delegated authority be given to the Head of Strategic and Private Sector Housing, in consultation with the Cabinet Lead Member for Housing, to make amendments to the Policy.

#### Decision and Date



Alison Simmons  
Head of Strategic and Private Sector Housing

Background 11th September 2021

On 10<sup>th</sup> May 2018, Cabinet approved a new Housing Acquisition Policy that supports the Council's aim to acquire additional properties for rent via the HRA within available funding.

The Policy will be monitored and reviewed on an annual basis or more frequently if it is considered appropriate.

A review of the Policy has been completed and the following amendments have been made:

- Page 2 Affordable homes delivery amended to reflect completions in 2020-2021.
- Page 2 Reference to reduction in Affordable Housing Grant and 1% Rent Reduction Policy removed from 3 paragraph.

Page 3 Right to Buy Receipts deleted and replaced with the changes the Government have made for the use of receipts.

Page 9 Council owned stock and waiting list date updated to reflect figures as at the 31<sup>st</sup> March 2021.

The Lead Member for Housing has been consulted and has approved the minor amendment to the Housing Acquisition Policy.

### **Comments from HR**

Not applicable

### **Financial Implications**

There are no additional financial implications.

### **Risk Management**

No specific risks have been identified in connection with this decision.

Key Decision: No

Background Papers: None

Background Papers: Housing Acquisition Policy approved by Cabinet on the 10<sup>th</sup> May 2018

APPROVED POLICY

Signed: Cllr Mercer      Dated: 23<sup>rd</sup> August 2021

Lead Member for Housing

# Housing Acquisition Policy

2021



## Revision History

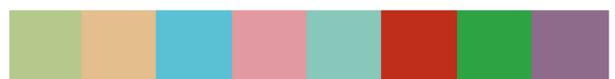
(Amendments are highlighted in the document)

Date	Amendment	Reason for Change	Version
1 <sup>st</sup> July 2021	<p>Page 2 Affordable homes delivery amended to reflect completions in 2020-2021.</p> <p>Page 2 - Reference to reduction in Affordable Housing Grant and 1% Rent Reduction Policy removed from 3 paragraph.</p> <p>Page 3 – Right to Buy Receipts deleted and replaced with the changes the Government have made for the use of receipts.</p> <p>Page 9 – Council owned stock and waiting list date updated to reflect figures as at the 31<sup>st</sup> March 2021.</p>		





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## introduction

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This Policy sets out the Council's approach to acquiring accommodation to meet the housing needs of the Borough. The Policy supports delivery of the Housing Strategy Priority 1 "*Increasing the supply of suitable housing*" and contributes to the Council's Corporate Plan 2016 – 2020 strategic goal in "Creating a Strong and Lasting Economy"

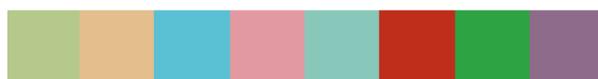
The 2017 Leicestershire Housing and Economic Development Needs Assessment (HEDNA) identifies a need for 384 new affordable homes per year for the period 2011 - 2036. **In 2020-2021 137 new affordable homes were delivered across the Borough resulting in a shortfall of 247 affordable homes.**

Charnwood is a growing Borough with the adopted Local Plan requiring 20% to 40% of all new housing on sites of more than 10 homes to be affordable housing. New housing sites are likely to stall if the Developer is not able to secure a Registered Provider (formerly a Housing Association) to sell and transfer the affordable housing.

This Policy will support the need for affordable housing through the acquisition of existing housing for sale on the Open Market, housing offered to the Council through Right to Buy legislation, as well as the delivery of new affordable housing on sites whereby the Developer cannot secure a Registered Provider.

The Policy aims to:

- Increase the supply of suitable affordable homes to meet both short-term and long-term housing needs
- Facilitate the acquisition of properties for sale on the Open Market where there is an identified housing need for a specific property such as an adapted property or a property with 4 or more bedrooms
- Facilitate the unlocking of stalled new build housing sites where the Developer is not able to secure a Registered Provider
- Facilitate Regeneration Schemes



Acquisitions can only proceed if the Council has the available funds. There are several sources of funding which the Council can use to support this Policy. The main sources of funding are detailed below

## Sources of Funding

### 1-4-1 Right to Buy Receipts

From the 1st April 2021 the rules on spending retained additional receipts have changed:

- Pooling of Right to Buy receipts will take place annually, replacing the former quarterly system. Deadlines for spending retained receipts will also be calculated on an annual basis. A minimal amount of non-financial management information will still be collected quarterly.
- The timeframe Local Authorities have to spend new and existing Right to Buy receipts is extended from 3 years to 5 years. This will make it easier for local authorities to undertake longer-term planning, including remediation of larger plots of land.
- The percentage cost of a new home that Local Authorities can fund using Right to Buy receipts increases from 30% to 40%. This will make it easier for Authorities to fund replacement homes using Right to Buy receipts, as well as making it easier to build homes for social rent. The remaining 60% of the costs must be found from other Council funding.
- Authorities can use receipts to supply shared ownership and First Homes, as well as housing at affordable and social rent, to help them build the types of home most needed in their communities.
- A cap is introduced on the use of Right to Buy receipts for acquisitions to help drive new supply with effect from the 1st April 2022 and phased in over 2022-23 to 2024-25.

These changes were implemented from the 1st April 2021, except for the acquisition cap, which will be introduced from 1st April 2022, on a phased basis. They are in response to a consultation on the Use of Right to Buy Receipts.

Right to Buy receipts cannot be used to acquire properties currently being used as Social Housing. Social Housing is defined as housing let at below market rents and usually owned and managed by a Local Authority or a Registered Provider.



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Right to Buy receipts cannot be used in conjunction with other affordable housing subsidies such as Affordable Housing Grants provided through Homes England (formerly known as the Homes and Communities Agency). However, Right to Buy Receipts can be used in conjunction with Commuted Sums to finance Acquisitions.

### **Housing Revenue Account (HRA)**

The Council can use HRA funding to support the acquisition of properties. However, the HRA funding is 'ring-fenced', and properties acquired using HRA funding will be owned and managed by the Council. The Council is currently using HRA funds to make up the 60% shortfall with the Right to Buy receipts.

### **General Fund Account (GF)**

The Council can use the GF to support the acquisition of properties. However, properties funded in this way will be outside the HRA and the Council would have to make arrangements for the properties to be managed.

### **Commuted Sums**

Commuted Sums are payments made in lieu of affordable housing being provided on site by the Developer. Site specific Planning Conditions may restrict how Commuted Sums can be used such as in a particular Parish.



The funding available to support this Policy is limited and therefore it is important that the Council can demonstrate Value for Money in respect of any housing acquired

## Assessment and Evaluation Criteria

The nature of the home buying process is such that offers to purchase properties have to be made in a timely manner and this Policy needs to provide a framework to facilitate the purchasing of properties in a manner which fits in with the buying process whilst ensuring that the Council receives Value for Money for the investment.

### Liveable Standard

Before entering into a Sale and Purchase Contract property condition surveys will be undertaken by an independent suitably qualified and experienced surveyor to identify and estimate the cost of any potential initial and future investment needed.

Note: It may be considered not appropriate to have a property survey carried out when purchasing a new build property provided there is a National Housing Building Council (NHBC) warranty or equivalent.

It is important to define the term 'Liveable' Standard as there may be funding implications. For example: 1-4-1 Right to Buy receipts funding can only be used to bring a property to a 'Liveable' Standard and not to an enhanced standard. There is not a definition for the term 'Liveable'.

For the purpose of this Policy 'Liveable' Standard means the Charnwood Standard (Appendix 1) as approved by Cabinet on the 14<sup>th</sup> March 2013.

The initial investment (the buying price plus cost of repairs) should not exceed the property value once brought up to the Charnwood Standard.

Properties which are void when acquired are to be brought up to the Charnwood Standard before being let.



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## Financial Appraisal

### Offers - Subject to Contract

The decision to 'Make an Offer' on a property for sale on the Open Market or from a Developer shall be made by the Head of Strategic and Private Sector Housing based upon the Acquisition Criteria set out in this Policy and will be 'Subject to Contract'.

An offer may be made based on local market intelligence as to what is considered to be a 'fair and reasonable' offer as delaying an offer pending a Property Valuation may jeopardise the opportunity to purchase the property.

### Entering into a Sale and Purchase Contract

An independent property valuation must be completed before entering into a Sale and Purchase Contract.

Open Market Acquisitions - For properties for sale on the Open Market this may be carried out by the District Valuer or an appropriately qualified independent property valuer registered with the Royal Institution of Chartered Surveyors. The agreed purchase price should not exceed the maximum property valuation.

Planning Gain Acquisitions - For properties secured through a Section 106 Agreement and subsided through Planning Gain, it is important to recognise that the cost to the Developer has been factored into the development financial appraisal at the time Planning Permission was granted. Therefore, offers made are likely to be less than the market value. In this situation, it may be more appropriate for the District Valuer or an appropriately experienced qualified Surveyor to verify an offer to ensure that the Developer is not unduly profiting from the sale.

Following a property valuation, the Head of Strategic and Private Sector Housing should withdraw or submit a revised offer if the original offer is higher than that considered appropriate by the District Valuer or an independent Surveyor.

Standard Conveyancing searches and appropriate property condition surveys should be carried out before the decision is made to exchange a Sale and Purchase Contract.



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The decision to enter into a Sale and Purchase Agreement will be a decision under Delegated Powers made by the Head of Strategic and Private Sector Housing and Sale and Purchase Contract(s) should be signed by the appropriate Officers as follows:

- Purchases up to £49,999 by the Head of Landlord Services
- Purchases of £50,000 or more two of the Council's duly authorised signatories (currently the Chief Executive, Strategic Director of Corporate Services, Head of Finance and Property Services, and Head of Strategic Support).

### Protecting the Investment – Cost Floor Limit

The Housing (Right to Buy)(Limit on Discount) (England) Order 2012 extended the Cost Floor Rule from 10 years to 15 years in relation to dwellings built or acquired by the landlord (Council) on or after 2<sup>nd</sup> April 2012.

The Cost Floor Rule as amended is significant in relation to this Housing Acquisition Policy as it protects the Council's initial investment for a period of 15 years.

This may mean that a Tenant's discount under the Right to Buy Scheme could be Nil if the Cost Floor is more than the value of the property.

#### Example

If on the 1<sup>st</sup> April 2018, the Council acquires a property at a cost of £150,000 and incurs £10,000 of repair costs giving a total investment of £160,000, then any Tenant wishing to exercise their Right to Buy will have to pay at least £160,000 until the 31<sup>st</sup> March 2033.

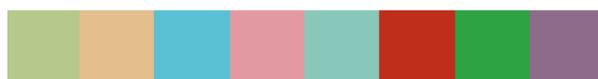


Each potential acquisition will be assessed on an individual basis, in line with the acquisition criteria set out in this Policy

## Key Criteria are as follows:

1. **Property in High Demand** - a freehold property in a location where there is an identified housing need for a specific property type and there is a shortage of supply of the property type for sale.
2. **Adaptations** – a property has had, or is suitable for, significant disabled adaptations which would meet the needs of an identified applicant with disabilities.
3. **New Build** – a market unit on a new build development site, where this could increase the balance of affordable housing provision on the site.
4. **Regeneration** - a property is in a specific location that could free up land or access to land, or otherwise facilitate new affordable housing.
5. **Section 106 Affordable Home** - is an affordable property secured through a Section 106 Agreement as part of a wider housing development and the Developer cannot secure a Registered Provider to sell and transfer the properties to.
6. **Leasehold Flat** – the property is a former Council property and is one in a block of flats owned by the Council and acquiring the property will mitigate the impact of non-recovery of charges under Section 20 of the Landlord and Tenant Act 1985 (as amended by the Commonhold and Leasehold Reform Act 2002) such as the cost of managing, maintaining, repairing, and insuring the block of flats.
7. **Modular Build Construction** – purchasing land, design and construction as modular build.

**This Policy excludes properties gifted to the Council through a Section 106 Agreement**



## 1. Property in High Demand

Consideration will be given to acquiring freehold properties where it can be demonstrated that there is a demand for a specific property type and there is a shortage of supply of the property type for sale.

The Council currently owns and manages 5,518 homes for rent. The stock profile is detailed below:

Property Type	1 Bed	2 Bed	3 Bed	4 Bed	5 Bed	6 Bed	Total
Bedsit	311	0	0	0	0	0	311
Bungalow	529	43	2	0	0	0	574
Flat	1,756	583	16	0	0	0	2,355
House	4	218	1,900	127	4	2	2,255
Maisonette	1	16	7	0	0	0	24
<b>Total</b>	<b>2,600</b>	<b>860</b>	<b>1,925</b>	<b>127</b>	<b>4</b>	<b>2</b>	<b>5,518</b>
<b>Percentage</b>	<b>47.11%</b>	<b>15.6%</b>	<b>34.9%</b>	<b>2.30%</b>	<b>0.07%</b>	<b>0.03%</b>	<b>100%</b>

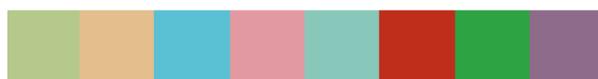
There are currently 1,058 households registered on the Council's Housing Waiting List in need of an affordable home for rent (as at the 31<sup>st</sup> March 2021). The profile of applicants by property type is shown below:

Demand	1 Bed	2 Bed	3 Bed	3+ Bed	Total
<b>Total</b>	<b>537</b>	<b>302</b>	<b>189</b>	<b>30</b>	<b>1,058</b>
<b>Percentage</b>	<b>51%</b>	<b>29%</b>	<b>18%</b>	<b>2%</b>	<b>100%</b>

The evidence set out in the above tables shows that the demand for a 2 bedroom property is more than twice the current 2 bedroom Council Housing stock. Therefore a 2 bedroom property will meet the 'Housing Need' key criteria on the basis that demand outstrips the supply.

However there is lack of suitable 2 bed homes available to purchase on the open market.

In applying this Policy, housing demand compared to housing supply should be considered at a Parish level as it may be that the shortfall in property size is location dependent and varies across the Borough.



## 2. Adaptations

Consideration will be given to the purchasing of a property which is suitable for conversion, or extension, to create ground floor bathing facilities or which lends to the installation of a through floor lift to allow disabled access to the first floor of the property or a property which has already been adapted if there is an identified applicant with disabilities in housing need.

## 3. New Build

Consideration will be given to the purchasing of property secured through Planning Gain as part of a wider housing development where the percentage of affordable housing secured in a Section 106 Agreement is less than that set out in the Local Plan.

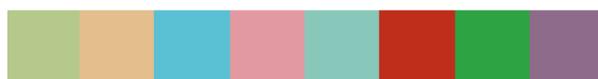
Planning Gain is the increase in the value of the land which results from a Planning Permission being granted for housing and is used to subsidise the cost of providing affordable housing. The Council's Local Plan sets out the percentage of affordable housing which the Council will seek to secure on housing developments. In some instances, it may not be viable for a Developer to provide the full amount of affordable housing.

### Example

The Local Plan sets a target of 30% of new homes built on sites of more than 10 homes across Loughborough to be provided as affordable housing. On a development of 50 homes this means that 15 homes (30%) should be affordable housing. However, it may only be feasible to secure 10 homes (20%) which is a difference of 5 homes (10%). In this case, the Council may consider acquiring up to 5 open market homes across the site to increase the overall percentage of affordable housing.

## 4. Regeneration

Consideration will be given to the purchasing of property where ownership would aid the design of a potential development scheme and will allow maximisation of development opportunities to deliver a greater number of affordable homes.



## 5. Section 106 Affordable Homes

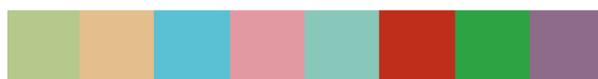
Consideration will be given to purchasing Section 106 Affordable Homes where the Developer cannot secure a Registered Provider to sell and transfer the property. In such cases the Council will acquire the property at a price which enables the Scheme to remain financially viable and does not result in the Developer benefiting from an undue increase in profit.

The Council may consider that it is more beneficial in meeting the Council's housing needs to work in partnership with a Registered Provider where this will result in either an increase in the number of units for social and or affordable rent or a wider range of affordable housing tenures such as Shared Ownership.

## 6. Leasehold Flats

A leasehold flat is a former Council flat whereby the Leaseholder is required to pay the Council a Service Charge. The Council will consider purchasing Leasehold flats where:

- there is a high need for this type of accommodation and there is a shortage in the supply of the type of property being offered for sale
- and
- it results in the Council having direct control over an entire block of flats.



Each potential acquisition will be assessed on an individual basis in line with the evaluation criteria set out below

## Stage 1 – Availability of Funds

Are there funds available to purchase the property?

- If No, the assessment is complete and the offer to purchase is declined
- If Yes, proceed to Stage 2

## Stage 2 – Property Evaluation – Decision to Make an Offer

The decision to make an Offer to Purchase (Subject to Contract) a property shall be made by the Head of Strategic and Private Sector Housing and shall be based on the following criteria:

1	The Property meets the Key Criteria as set out in this Policy
2	The estimated cost of the Works to bring the Property to the Charnwood Standard should not exceed 10% of the current property value based on the asking price.



### Stage 3 – Property Evaluation – Decision to Exchange Contracts

The decision to Exchange Contracts is subject to a Delegated Decision based on the following steps:



## Resources

### Delivering the Housing Acquisition Policy

Funding to deliver this Policy will be identified and included in the Council's Capital Plan and may be from a range of sources including, but not limited to the Housing Revenue Account, General Fund Account, Commuted Sums received in lieu of on-site affordable housing provision secured on Section 106 Sites and 1-4-1 Right to Buy receipts.

## Monitoring

### Performance Monitoring and Review

This Policy recognises that the nature of the home buying process is such that offers to purchase properties have to be made in a timely manner and that it will not be possible to seek Members approval in advance of Exchanging Contracts.

During the Acquisition Period (Period between Offer and Exchange of Contract) the Head of Strategic and Private Sector Housing shall keep the Lead Member for Private Housing informed.

Following the purchase of a property, a Report shall be submitted to the next available Full Council providing details of the property acquired. The Report will be exempt from call in on the basis that it is for 'Information Only' as approved by the Chair of Scrutiny Management Board.

The Policy will be monitored and reviewed on an annual basis or more frequently if it is considered appropriate.

Minor changes which make no significant difference to service provision will be made to the document under delegated authority by the Head of Strategic and Private Sector Housing in consultation with the Lead Member for Housing.

Should the Policy be impacted by significant changes or financial implications, it will be taken to Cabinet for consideration.



## Charnwood Standard

The Charnwood Standard is a standard higher than the Decent Homes Standard approved by Cabinet in March 2013 and meets the following criteria

### 1. Is a warm, dry and safe home

- Structurally stable, brickwork, render and cladding in a reasonable state of repair
- Wind and water tight with a roof which does not leak
- An average SAP rating for all stock of 75 (current 69)
- A minimum SAP rating of 50 (unless prohibited through planning restrictions, or it is not technically feasible to do so)
- Cyclical painting carried out on a 7 year lifecycle
- Healthy and Safe Home
  - Valid periodic Electrical Safety Certificate 5 year
  - Current Gas Safety Certificate
  - Sealed Lithium Battery smoke detectors
  - Carbon Monoxide detectors fitted in gas and solid fuel heated properties
  - Asbestos survey - Asbestos Management Survey or Refurbishment Survey, subject to existing data and proposed works
  - Inform tenants of results and remove high and medium risk asbestos rather than encapsulate and manage in situ where risks are low or very low

### 2. Is a modern home

- Building related damp free (linked to condensation, mould free and adequate ventilation)
- Components renewed to modern day standards in accordance with fixed lifecycles
  - Kitchens - 20 years
  - Bathrooms - 30 years for bathroom
  - uPVC or composite doors - 25 years
  - uPVC Double glazed windows (except in conservation areas) - 30 years
  - Boilers - 15 years
  - Full central heating pipework, radiators and electric storage radiators - 30 years
  - Roofs - 50 - 70 years (when required)



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### 3. Internal space standards adequate and fit for modern day living

#### 4. Is a flexible home

- Properties individually adapted to meet customer needs where possible after recommendations by an Occupational Therapist from Social Services

#### 5. Communal Areas

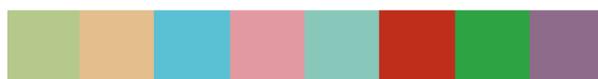
- Fire Risk Assessment high and medium risk recommendations completed
- Asbestos survey
- Door Entry system
- Emergency lighting
- Communal Lighting
- Annual Lift Service Certificate
- Legionella testing programme

#### 6. Environmental Sustainability

- “A” rated condensing boilers renewed on a 15 year
- Thermostatic Radiator Valves and/or Room Thermostats
- Programmable Heating systems
- Dual flush WC cisterns
- Low voltage energy saving bathroom and kitchen lighting
- Low voltage mechanical extract fans
- Minimum “C” rated uPVC double glazed windows and doors
- Move from electric to gas heating where possible

#### 7. External Environment

- Safe and Level pathed access to front door



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