

Decision under Delegated Powers

Officer Making Decision:

Katie Moore – Head of Strategic Housing

Recommendation:

That the minor amendments to the Council's Housing Acquisitions Policy as set out below and as agreed in consultation with the Leader of the Council (in the absence of the Lead Member for Housing and Planning) be approved.

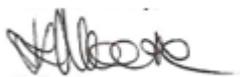
Reason:

To ensure the policy reflect current legislation, guidance and local and regional practice and supports the council to fulfil its statutory duties.

Authority for Decision:

Section 8.3 of the Constitution gives delegated authority to the Head of Strategic and Housing to make amendments to the Housing Acquisitions Policy in consultation with the relevant Lead Member (items 28 refers).

Decision and Date:



Katie Moore
Head of Strategic Housing
12th July 2024

Background:

The council's Housing Acquisitions Policy was approved by Cabinet on 10th May 2018. Minor amendments to the policy were made in 2021 (see DD160 2021).

Further minor amendments to the policy have been made, to ensure the policy reflects current legislation, guidance and local and regional practice and supports the council to fulfil its statutory duties. These include:

- Introduction:
 - Update to reflect new Housing Strategy and Corporate Strategy
 - Clarification on policy aims
 - Clarification that policy does not apply to properties gifted to the council
- Financing:
 - Update to reflect current guidance on use of Right to Buy receipts
- Acquisitions criteria:
 - Clarification on circumstances under which properties can be acquired
 - Update to council housing supply / demand figures

- Value for money criteria:
 - Clarification on cost / condition assessment process
 - Clarification on offer / purchase authorisation levels
- Evaluation Criteria:
 - Clarification on overall assessment and decision-making processes
- Other changes:
 - Other minor title / wording / grammatical changes
 - Formatting / page numbering changes.

The amended policy is due to be implemented in July 2024. A copy of the amended policy is attached.

Comments from Human Resources:

There are no human resources implications relating to this decision.

Financial Implications:

There are no financial implications relating to this decision.

Risk Management:

No risks have been identified in connection with this decision.

Key Decision:

No.

Background Papers:

DD160 2021
Minutes of Cabinet Meeting 10th May 2018.

Housing Acquisitions Policy

July 2024

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Introduction

This policy sets out the Council's approach to acquiring accommodation to meet the housing needs of the Borough.

This policy supports delivery of the Housing Strategy 2024-2029 and contributes to the Corporate Strategy 2024-2028 objective to “look for opportunities to build or acquire new homes and help tackle homelessness”.

The 2017 Leicestershire Housing and Economic Development Needs Assessment (HEDNA) identifies a need for 384 additional affordable homes within Charnwood per year for the period 2011-2036. During 2022-2023 there were only 13 additional affordable dwelling completions within Charnwood.

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 to.

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 including where the Developer cannot secure a Registered Provider.

The policy aims to:

- Increase the supply of good quality, suitable, affordable homes to meet both short-term and long-term housing needs
- Facilitate the acquisition of properties where there is an identified housing need for a specific type or size of property
- Facilitate the unlocking of stalled new build housing sites where the developer is not able to secure a Registered Provider
- Facilitate Regeneration Schemes.

Note - This Policy does not apply to properties gifted to the Council through a Section 106 Agreement.

Financing

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:

Right to Buy receipts

Receipts generated from the sale of council properties under the Right to Buy scheme can be used to fund replacement social housing. These receipts can be used to purchase properties for use as social and affordable rental properties and some types of affordable home ownership properties (excluding the purchase of properties from a council or registered provider that are already used as social housing).

There is a cap on the number of existing properties that a local authority can acquire to convert into eligible housing using Right to Buy receipts each year (to drive an increase in new build social and affordable housing). This cap is set as a percentage of the overall number of homes that the local authority starts or acquires each year, and is due to be reduced progressively over the next 2 years:

Financial year	2024-2025	2025-2026	2026-2027 onwards
Percentage cap	50%	40%	30%

The first 20 properties acquired in each year are excluded from this cap. Some types of acquisitions are also exempt from this cap, including acquisitions from regeneration projects that contribute to net supply. However acquisitions of new build properties from a private developer are not exempt.

Up to 50% of the cost of a new home can be funded using Right to Buy Receipts. The other 50% must be funded using other council budgets. 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 housing revenue account funding and commuted sums (detailed below).

Housing Revenue Account

The Council can use housing Revenue Account funding to support the acquisition of properties. However, the Housing Revenue Account funding is 'ring-fenced', and properties acquired using Housing Revenue Account funding will be owned and managed by the Council. The Council is currently using Housing Revenue Account funds to make up the shortfall on Right to Buy receipts.

General Fund Account

The Council can use the General Fund Account to support the acquisition of properties. However, properties funded in this way will be outside the Housing Revenue Account 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.

Acquisition criteria

Each potential acquisition will be assessed on an individual basis, in line with the acquisition criteria.

The acquisition criteria are:

Housing need / demand

Consideration will be given to acquiring freehold properties where it can be demonstrated that there is an identified housing need / high level of demand for a specific property type or size and there is a shortage of supply of the relevant property type or size of property.

The Council owns and manages 5,444 homes for rent (June 2024). The majority of these properties will be occupied / unavailable for letting at any time. The stock profile is detailed below:

Property Type	1 Bed	2 Bed	3 Bed	4 Bed	5 Bed	6 Bed	Total
Bedsit	294	0	0	0	0	0	294
Bungalow	529	46	2	0	0	0	577
Flat	1753	574	16	0	0	0	2343
House	4	214	1855	127	4	2	2206
Maisonette	1	16	7	0	0	0	24
Total	2581	850	1880	127	4	2	5444

There are 1,163 households on the council's housing register (June 2024). The profile of applicants by bedroom need is shown below:

Bedroom need	1 Bed	2 Bed	3 Bed	4 Bed	5 Bed	6 Bed	Total
Total	526	339	226	63	9	0	1163

The above data indicates that there are particularly high levels of demand for 2 bedroom properties and 4 bedroom properties (in comparison with the levels of existing supply within the council's housing stock).

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 varies across the Borough.

Accessible housing

Consideration will be given to the purchasing of a property which is wheelchair accessible, or has other major adaptations for persons with disabilities, or is suitable for adaptation. For example conversion, or extension, to create ground floor bathing facilities or which lends to the installation of a through wheelchair 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.

New build housing

Consideration will be given to purchasing Section 106 Affordable Homes where the Developer cannot secure a Registered Provider to sell and transfer the property to. 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 affordable home ownership.

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.

Regeneration

Consideration will be given to the purchasing of property where this would free up land or access to land and facilitate the delivery of new / additional affordable housing. For example where ownership would aid the design of a potential development scheme and would allow maximisation of development opportunities to deliver a greater number of affordable homes.

Leasehold flats

A leasehold flat is a former Council flat in a block of flats owned by the council, whereby the Leaseholder is required to pay the Council a Service Charge.

Consideration will be given to purchasing Leasehold flats where:

- There is an identified housing need / demand for the type of property and there is a shortage in the supply of the type of property being offered for sale, and
- It would result in the Council having direct control over an entire block of flats.

Value for money criteria

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.

The value for money criteria are:

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 extent and 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 (see appendix) as approved by Cabinet on the 14th 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. In exceptional circumstances the property may be acquired even if the initial investment would exceed the value of the property, for example where a property will not be let after being acquired because it is expected to be demolished in order to free up land or access to land to facilitate regeneration works.

Properties which will be let after being acquired are to be brought up to the Charnwood Standard before being let.

Financial appraisal

The decision to 'Make an Offer' on a property for sale on the Open Market or from a Developer will be based upon the Acquisition Criteria set out in this Policy and will be 'Subject to Contract'.

An initial 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. The decision to make an initial offer will be authorised by the Housing Development Manager.

An independent property valuation will be completed before a final offer is made:

- 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 upper limit of the property valuation. If the original offer is higher than the upper limit of the property valuation a revised offer will be submitted.
- 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.

The decision to make a final offer will be authorised by the Head of Strategic Housing.

Standard Conveyancing searches and appropriate property condition surveys will be carried out before entering into a Sale and Purchase Contract.

The decision to enter into a Sale and Purchase Agreement will be a decision under Delegated Powers made by the Head of Strategic Housing.

The Sale and Purchase Contract(s) should be signed by two of the Council's duly authorised signatories (currently the Chief Executive, Director of Finance, Governance and Contracts, Head of Finance, and Head of Democracy and Monitoring Officer).

Protecting the investment

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 2nd 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 1st April 2024, 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 31st March 2039.

Evaluation Criteria

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

The evaluation criteria are:

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 – Acquisition criteria

Would the purchase of the property achieve at least one of the acquisition criteria set out in this Policy?

- If No, the assessment is complete and the offer to purchase is declined
- If Yes, proceed to Stage 3

Stage 3 – Value for money criteria

Are the indicative cost of works for the property to be brought up to the Charnwood Standard less than 10% of the asking price for the property?

- If No, the assessment is complete and the offer to purchase is declined (other than in exceptional circumstances)
- If Yes, proceed to Stage 4

Stage 4 – Decision to make an offer

The decision to make an offer is subject to the following criteria:

- There is sufficient funding available to purchase the property, and
- The purchase meets at least one of the acquisition Criteria set out in this Policy, and

- The indicative cost of works for the property to be brought up to the Charnwood Standard does not exceed 10% of the asking price for the property (other than in exceptional circumstances).

Stage 4 – Decision to exchange contracts

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

- There is sufficient funding available to purchase the property, and
- The purchase of the property meets at least one of the Acquisition Criteria set out in this Policy, and
- The accepted offer is no more than the value of the property, and
- The initial investment (the buying price plus cost of repairs) does not exceed the property value once brought up to the Charnwood Standard (other than in exceptional circumstances), and
- Satisfactory property searches have been carried out and have not identified any significant areas of concerns including charges on the property.

Resources and monitoring

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 Housing shall keep the Cabinet Lead Member for Planning and 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 Housing in consultation with the Cabinet Lead Member for Planning and Housing.

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

Appendix

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)

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