



Policy on the purchase of open market properties to assist vulnerable homeowners to move into more suitable accommodation and to support the prevention of homelessness

1. Aims

- 1.1 The Housing Revenue Account Business Plan set out a number of objectives, one of which is to invest in the provision of new affordable housing. It is identified that this can be achieved by either direct investment in purpose built new build housing or through strategic acquisitions on the open market.
- 1.2 This policy sets out the council's approach to the purchase of properties to enable qualifying vulnerable homeowners to move into more suitable accommodation and support the council's approach to the prevention of homelessness.
- 1.3 It will allow the Council to increase the supply of affordable housing within Stevenage through the acquisition of properties. It will also enable the Council to spend receipts from Right to Buy sales, to avoid to repay them to the Government.

2. Scope

- 2.1 The policy sets out the circumstances under which the council may consider the purchase of homes within Stevenage. It applies to properties identified from the following sources:
 - Properties owned and occupied by persons who purchased their homes directly from the council, where those persons are assessed as being in extreme financial difficulty, threatened with homelessness as a result and in priority need; or
 - Properties, owned and occupied by persons who are assessed as being in need of support and eligible to move to a property within one of the council's sheltered schemes.

- 2.2 The policy provides a framework to assess viability and value for money of acquiring of a particular property and delivers the flexibility to be able to act within limited timescales, as opportunity arise.
- 2.3 The decision whether to acquire a property is at the discretion of the Council. Each potential acquisition will be considered on a case by case basis and a purchase on the property offering the Council value for money and on funding being available for that purpose.

3. Legal Framework

- 3.1 The Right to Buy scheme was introduced by the Housing Act 1980 and amended by the Housing Act 1985 and allows secure tenants to buy their homes (with some exceptions) from their local authority landlord.
- 3.2 The Housing Act 2004, which came into force 2005, made several significant changes to the Right to Buy scheme, including extending the qualifying period for a tenant wishing to purchase their home from two to five years. The period during which a property could not be sold without the owner paying back a proportion of their discount was increased from three to five years.
- 3.3 The Housing Act 2004 also introduced a requirement for a covenant to be included in the conveyance of a freehold or the grant of a lease, giving the local authority landlord the 'right of first refusal' on resale within a prescribed period. The Housing (Right of First Refusal) (England) Regulations 2005 set out the procedures that must be followed in such circumstances.
- 3.4 The council has a statutory duty under the Housing Act 1996 as amended by the Homelessness Act 2002 to assist certain vulnerable households at risk of homelessness and also prevent homelessness wherever possible.
- 3.5 Under the Local Government Act 1972 the Council has powers to acquire any property or rights which facilitates, or is conducive or incidental to, the discharge of any of its functions.
- 3.6 Section 1(1) of the Localism Act 2011 provides that 'a local authority has the power to do anything that individuals generally may do'. This 'general power of competence' was brought into force on 18 February 2012.
- 3.7 An acquisition or purchase is defined as taking of a freehold, leasehold or licence in land and property

4. Households Threatened with Repossession and Homelessness

- 4.1 In exercising its homelessness duties, the Council may buy a property and offer the vendor an introductory tenancy of the same property, where this

would prevent them from losing their home through repossession. The council may consider such a purchase where the vendor meets the following criteria:

a) They live in the property and use it as their principle home and do not have an alternative residence

AND

b) They are at risk of homelessness through repossession as a result of severe financial difficulties

c) They would be considered eligible for assistance under Part 7 of the Housing Act 1996 and have a priority need for accommodation and are not deemed to be intentionally homeless

d) They have discussed repayment options with their bank or building society and investigated all alternative solutions to their financial difficulties

e) The household income is less than £60,000 per annum

f) There are no outstanding charges or ownership disputes on the property that would prevent it from being sold

g) The property is appropriate for continued occupation by the household, based on their housing need and affordability concerns

h) They are not in negative equity

5. Households Vulnerable Through Age or Disability

5.1 In exercising its general power of competence, the council may buy a property and offer the vendor an introductory tenancy of a suitable alternative property via a direct let. The council may consider such a purchase where the vendor meets the following criteria

a) The vendor, lives in their property and use it as their principle home and do not have an alternative residence

b) They are assessed as being in immediate need of support and suitable for an adapted property or a property within a sheltered housing scheme

c) The household income is less than £60,000 per annum

d) There are no outstanding charges or ownership disputes on the property that would prevent it being sold

e) They are not in negative equity and there are financial interests or other debt attached to the property

6. Financial and Other Materials Considerations

- 6.1 The financial resources available for this policy will be dependent on the ability of the HRA Business Plan to fund acquisitions. Any proposal to purchase properties would have to be considered within the overall new provision capital budget. The proposed increase in new build and regeneration plans for Stevenage may limit the funds available to acquire properties.
- 6.2 A proposed purchase will only be progressed if certain financial criteria are met and the financial benefits to the HRA can be demonstrated.
- 6.3 If a vendor and his or her household following a formal assessment by the Council's Homelessness Team or Supported Housing Team meet the criteria set out in paragraphs 4.4 and 5.1 and the case will be referred on to the Council's Housing Development Team.
- 6.4 The Housing Development Team will then undertake a financial assessment of each property under consideration, to ensure that there is not an adverse financial implication for the Council's Housing Revenue Account (HRA), based on the gross purchase cost, the gross post-purchase investment cost and not the revenue stream. All properties acquired on the open market will be let in line with the Council's Rent Policy.
- 6.5 All valuations must be carried out or verified by a fully qualified member of the Royal Institution of Chartered Surveyors with sufficient current local knowledge of the particular housing market, and the skills and understanding necessary to undertake/verify the valuation competently.
- 6.6 Where the vendor is to be housed by the council in either their existing property or an alternative Council property, the price paid will reflect a maximum of 80% the open market value,
- 6.7 Other costs to be reflected in the offer will include:
- The costs of any works required to bring the sold property up to the council's lettable and decent homes standard.
 - Administration and other charges associated to a purchase.
- 6.8 The Council is not responsible for paying off the mortgage or any other debt secured against the property (this is the responsibility of the vendor).
- 6.9 The Council will only purchase leasehold flats, where the Council is the freeholder, reducing the risk to the HRA, for example in the identification and the subsequent collection of Section 20 charges.

- 6.10 The Council may not choose to proceed with a sale if structural or environmental issues are identified.
- 6.11 Should the Council buy back a former Council property within 5 years of a RTB purchase the owner will be required to pay back a percentage of the discount, applied on a sliding scale, in accordance with the Housing Act 2004. If the owner would face demonstrable personal hardship by having to repay the discount, the council's 'RTB – Use of Discretionary Powers in the Repayment of Discount' policy will be applied. Under this policy, the Council's discretion to waive part of all of the discount repayable is exercised only in exceptional circumstances.

7. Approval

- 7.1 Purchases will be considered on a case by case basis. Subject to an appropriate business case for each prospective transition being in place, a Non-Key Decision will be made by the Strategic Director (Community) together with the Executive Portfolio Holder for Housing to determine whether to acquire individual properties.
- 7.2 The Council is not required to purchase any property and therefore if the decision is not to purchase the property there is no right of appeal. However if a resident feels that Officers have not applied the policy correctly or followed the correct procedures they may register a complaint within 28 days of receiving the Council's decision.

8. Process

- 8.1 This policy will be supported by robust process and procedure documents. Officers will use an evaluation matrix to make an assessment of viability and to establish the Net Present Value (NPV) and the impact of the HRA Business Plan.

9. Monitoring and Review

- 9.1 This policy will be reviewed by the Strategic Director (Community) in consultation with the Portfolio-Holder for Housing after the first year of implementation and further reviews will be conducted every 3 years thereafter.

10. Associated Documents

10.1 Internal

- Housing Revenue Account Business Plan
- Housing Revenue Account Capital Programme

- Housing Asset Management Strategy
- Right to Buy – Use of Discretionary Powers on Repayment of Discount Policy
- RTB buy back procedures
- Allocation Scheme
- Open Market Acquisition Policy
- Rent Policy

10.2 External

- Housing Act 1985
- Housing Act 1996
- Housing Act 2004
- The Housing (Right of First Refusal) (England) Regulations 2005 (SI 2005/1917)
- Re-Invigorating the Right to Buy and One for One Replacement: Information for the Local Authorities, DCLG 2012
- Housing (Right to Buy) (Limit on Discount) (England) Order 2012 (SI 2012/734)
- Draft Deregulation Bill
- Localism Act 2011