

<b>Report title</b>	Market to Affordable Housing Conversion Policy	
<b>Decision designation</b>	AMBER	
<b>Cabinet member with lead responsibility</b>	Councillor Jacqueline Sweetman City Assets and Housing	
<b>Key decision</b>	Yes	
<b>In forward plan</b>	Yes	
<b>Wards affected</b>	All Wards	
<b>Accountable Director</b>	Ross Cook – Director of City Environment	
<b>Originating service</b>	Housing	
<b>Accountable employee</b>	Karen Beasley Tel Email	Housing Enabling Manager 01902 554893 Karen.beasley@wolverhampton.gov.uk
<b>Report to be/has been considered by</b>	City Environment Leadership Team	19 May 2020

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**Recommendations for decision:**

The Cabinet is recommended to:

1. Approve the acquisition of market housing to convert to affordable housing to increase the housing stock as part of the Additional Social Housing Programme.
2. Approve the policy and criteria as outlined in paragraph 4.2 to identify and purchase suitable market housing units.
3. Delegate authority to the Cabinet Member for City Assets and Housing in consultation with the Director of City Environment to agree the expenditure on individual property/land purchases.
4. Delegate authority to the Service Manager, Strategy and Policy and in their absence, the Housing Enabling Manager the decision to 'decline' a Right of First Refusal request.

**Recommendation for noting:**

The Cabinet is asked to note:

1. The completed acquisitions of market housing which have been converted to affordable housing in 2019-2020 as outlined in paragraph 3.2.

## **1.0 Purpose**

- 1.1 To approve the acquisition of market housing to convert to affordable housing to increase the housing stock as part of the Affordable Housing Programme.
- 1.2 To approve a policy and criteria to identify and purchase additional affordable units which meet the agreed criteria as outlined in paragraph 4.2.
- 1.3 To delegate authority to the Cabinet Member for City Assets and Housing in conjunction with Director of City Environment to approve individual property/land purchases.
- 1.4 To delegate the approval to 'decline' a Right of First Refusal request to Service Manager, Housing Strategy and Policy and in their absence, Housing Enabling Manager, Housing Strategy and Policy.
- 1.5 To note the completed purchases for 2019-2020 utilising the available Additional Social Housing programme budget.

## **2.0 Background**

- 2.1 A report was presented at Cabinet (Resources) Panel on 16 January 2018, detailing the 're-invigorated RTB scheme' which was introduced in 2012 and approved a capital scheme for purchasing additional affordable units to utilise the available RTB receipts. This scheme is funded from the Housing Revenue Account (HRA) capital programme budget for Additional Social Housing with an approved budget of £2 million per year for five years.
- 2.2 The report also approved a set of priorities to purchase property or land to ensure the capital budget was committed within three years of being received otherwise it would be returned to the Government with interest.
- 2.3 A further report was presented to Cabinet on 11 July 2018, providing an update on RTB Policy and approved a policy for dealing with situations arising from former secure tenants who have exercised their RTB. In particular, approval to purchase former council properties where the owner has offered the property back to the Council under the Right of First Refusal covenant.
- 2.4 There have also been two further reports presented to Cabinet (Resources) Panel dated 18 June 2019 and Cabinet dated 16 October 2019, approving the purchase of leasehold properties on City-wide estates where extensive refurbishment works will take place, and where the owners of leaseholder flats, will face high charges relative to the value of their properties.
- 2.5 From time to time, the Planning Authority enter into Section 106 agreements with Developers to provide an affordable housing contribution rather than providing affordable housing units on the development site. The obligations of the agreement state when the affordable housing contribution is to be received, where and when it should be spent. If

the Council does not use the funding to increase the supply of affordable housing in line with the agreement, the money would need to be returned to the Developer.

- 2.6 During the past two years, employees have implemented existing policies approved in previous reports and have purchased a number of properties through the Additional Social Housing budget and with monies secured through S106 agreements. However, a review of the existing policy is required in order to maximise opportunities to purchase new build properties and existing market housing stock.
- 2.7 There are approximately 9000 applicants registered on the Council's waiting list with 50% in housing need. It is therefore essential that when identifying potential properties to purchase it is the right property type, size and location to meet the needs of the applicants.
- 2.8 A summary of properties purchased utilising the Additional Social Housing budget and Section 106 monies for 2019-2020 is detailed in paragraph 3.2.

### 3.0 Progress.

- 3.1 The priority for adding to the council housing stock will always be for new build housing, in order to create an overall increase to the number of homes within the City.
- 3.2 In addition to new build homes, there have been a total of 16 existing homes purchased during 2019-2020 using the Additional Social Housing budget which were identified through either open market property searches, existing leaseholder property buyback approvals or from properties offered to the Council through the Right of First Refusal covenant. A breakdown of the property type and ward are shown in the table below:

PROPERTY TYPE	WARDS
2 x 1 bed flat	East Park, Spring Vale
7 x 2 bed flat	Tettenhall Wightwick, St Peters
1 x 2 bed house	East Park
1 x 3 bed maisonette	Park
3 x 3 bed house	Merryhill, East Park, Tettenhall Regis
2 x 4 bed house	Heath Town, Tettenhall Regis
<b>Total 16 properties</b>	

- 3.3 In addition to these properties, there has been one further purchase of a leasehold property in St Peters Ward, where the former leaseholder wished to remain as a tenant. Also, one of the properties purchased (a two-bedroom house in East Park Ward) was a long-term empty property and has now been brought back into use.

### 3.4 **Right of First Refusals.**

- 3.5 A report was taken to Cabinet (Resources) Panel in January 2018 regarding the *Application of RTB Receipts for Additional Social Housing*. The report advised that the priority for spending RTB receipts would be the Council's newbuild housing programme, in order to add properties to the overall stock of the city, but also proposed a range of options for additional spend to account for any shortfall in RTB receipt spend as a result of adjusted newbuild completion projections.
- 3.6 A further report was taken to Cabinet in July 2018 titled *Right to Buy Policy Update*. Cabinet approved the purchase of properties offered to the Council under Right of First Refusal legislation. While not obliged to buy back these properties, any properties considered would need to meet the criteria set out in the report. The report also advised that if the purchase of a property offered under Right of First Refusal was declined, that approval would be sought from the Director City Housing for the refusal.
- 3.7 In the financial year 2019-2020, there were almost 50 Right of First Refusal notices received for consideration. Housing Officers determine if the property meets the approved criteria and if so, an appointment is arranged for a property viewing with technical officers from Wolverhampton Homes, to ascertain the property condition and potential investment required in order to bring the property up to the Decent Homes standard. The Council has exercised its Right of First Refusal and two properties have been purchased during this period through this process.
- 3.8 Due to the number of requests each year, it is recommended that the decision to 'decline' a Right of First Refusal request is delegated to the Service Manager, Housing Strategy and Policy and in their absence, the Housing Enabling Manager, Housing Strategy and Policy. This will allow a more efficient response to vendors and meet the timescales defined in the regulation.

## 4.0 **Proposals**

- 4.1 It is proposed that consideration is also be given to targeted interventions to support the Council's strategic objectives and broader housing outcomes, by purchasing existing market stock in the city and converting it to affordable housing. This will also help ensure we maximise the use of the RTB receipts (1-4-1 receipts) and receipts from Section 106 agreements. An overall policy and set of criteria is outlined in 4.2 when considering the purchase of additional affordable housing.

### 4.2 **Market to affordable housing conversion purchase policy:**

- Purchase of leasehold properties where owners are subject to a high level of service charge through investment/repair programmes.
- Purchase of available properties which meet the current housing demand determined through housing intelligence data in terms of property type, size and location.

- Purchase of freehold land to develop for affordable housing or in order to relinquish long-term leasehold arrangements.
- Purchase of properties that meet Council's priorities and Citywide regeneration/renewal programmes and initiatives including the purchase of non-traditional construction properties.
- Purchase of properties only in exceptional circumstances as recommended through partnership working with other Service Area's within the Council and/or its Managing Agents, when it is in the best interest of the wellbeing of the property owner/family and beneficial to the Council to acquire the property.

4.3 Any potential properties identified and negotiated to acquire will require approval to purchase through delegated authority as outlined in recommendation 3.

## **5.0 Alternative Options**

5.1 If the Council did not purchase additional affordable homes, the sellers would market the properties and they would not be available for social and affordable letting.

5.2 Without a policy enabling it to purchase additional affordable housing, the Council may not be able to commit RTB receipts (1-4-1 receipts) and S106 affordable housing provision monies within time limits and may have to return these receipts to the Government and Developers.

## **6.0 Reasons for decision(s)**

6.1 It is important to maximise the financial investment available to the City and to achieve the greatest possible benefits for residents. The proposals in this report provide a comprehensive policy and criteria for purchasing additional affordable housing.

## **7.0 Financial implications**

7.1 There is an approved budget of £2 million per year for five years currently approved in the Housing Revenue Account (HRA) capital programme for the Additional Social Housing Programme. It will be proposed as part of the capital programme 2019/2020 Outturn and Q1 2020-2021 monitoring report that the £500,000 underspend from 2019-2020 will be carried forward to 2020-2021 to increase the budget to £2.5 million

7.2 The use of HRA RTB receipts and Section 106 monies will be maximised as funding for purchases made under the Additional Social Housing Programme.

[JM/13052020/A]

## **8.0 Legal implications**

8.1 All properties purchased will be subject to the usual conveyancing procedure and bespoke legal advice from Legal Services will be available to employees throughout.

[DC/12052020/U]

## **9.0 Equalities implications**

- 9.1 Any property purchased by the Council would add to the Council stock and provide additional housing opportunities through the choice-based lettings programme once they become available for re-let.

## **10.0 Climate change and environmental implications**

- 10.1 Investment in properties to bring them to council lettings standard will see them receive high quality thermal insulation and other repairs and upgrades as required.

## **11.0 Corporate landlord implications**

- 11.1 The acquisition will supplement the existing housing stock and will be managed by the Council's Managing Agent(s).

## **12.0 Health and Wellbeing Implications**

- 12.1 Investment in properties to bring them to council lettings standard will see them receive repairs and upgrades to provide good quality homes for local residents in housing need.

## **13.0 Covid Implications**

- 13.1 The outbreak of Coronavirus (COVID-19) declared by the World Health Organisation as a 'Global Pandemic' on 11 March 2020 has impacted on global financial markets. The unknown future impact that COVID-19 could have on the housing market may see a reduction in properties for market sale.

## **14.0 Schedule of background papers**

- 14.1 Cabinet report – 14 June 2017 – [Heath Town Residential Repairs – Private Leaseholder Options.](#)
- 14.2 Cabinet (Resources) Panel report – 16 January 2018 – [Application of Right to Buy Receipts for Additional Social Housing.](#)
- 14.3 Cabinet report – 11 July 2018 – [Right to Buy Policy Update.](#)
- 14.4 Cabinet (Resources) Panel report – 18 June 2019 – [Boscobel Estate Residential Repairs – Leaseholder Options](#)
- 14.5 Cabinet report – 16 October 2019 – [Citywide Housing Revenue Account Investment Programme – Leaseholder Options.](#)